

JPRS-CAR-94-035

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# ***JPRS Report***

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## **China**

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3 June 1994

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## NATIONAL AFFAIRS, POLICY

### CASS Research Group Analyzes Current Reform

94CE0445A Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 94 pp 3-11

[Article written by Chen Dongqi (7115 2639 3825) of the CASS Economic Research Institute's Situational Analysis Project Group: "A Complete Set, With Breakthroughs on Key Points; Theme of Economic Reform's New Stage"—Project director Yu Zuyao (0060 4371 1031); discussants Dai Yuanchen (2071 0954 2525), Ma Jiaju (7456 1367 7467), Zheng Guoqi (6774 0748 4560), Fan Gang (2868 0474), Zhu Ling (2612 3781), Liu Yingqiu (0491 6601 4428), Liu Xiaoxuan (0491 1420 3763), Luo Deming (5012 1795 2494), and Miao Zhuang (5379 1104)]

#### [Text] Summary

China's economic system reform has entered its 16th year. Reform before that can be divided roughly into two stages. In the first stage (1978-1991), reform was launched in a sequence from countryside to city, from allocation to production, from enterprise operation rights to ownership rights, from adjusting prices to relaxing them, and from a consumption market to a capital market, having chosen gradual advancement as the way of reform. This suits China's practical situation, and especially suits its system and developmental background. The successes attained in the primary stage of reform have provided the impetus for the whole economic system to take an important step towards shifting to the socialist market economic system.

Although the first stage of reform cannot be described simply by carrying forward a single project or by an isolated force penetrating deeply into reform, still, a synthesized set of reform supports was not really launched. The reform strategy chosen was supervision by division of rights and transmission of profits for steady advancement; at the outset, the ultimate goal for changing the whole system was unclear, so reform could be done only through taking each step cautiously, "fording the river while touching each stone at the river bottom," which definitely limited to some degree its width, depth and progress.

After Comrade Deng Xiaoping's speech during his southern China trip in 1992, and the 14th CPC Conference's positioning the wholesale changeover of the economic system to the "socialist market economy" as the overriding policy, the theory of reform reached a new level. Once the goals of reform were set out, there was motivation to shift to the new stage of economic reform, and the reform strategy selected shifted from gradual progress to acceleration, from supporting parts to a whole set of supports, from research and experimentation to a comprehensive plan. However, speeding up reform and the set of reforms requires further perfecting and detailed consideration and preparation. The reform of 1993 was conducted against just such a background. Viewed from the strategic level of reform, 1993 was a year which pushed reform to accomplish a periodic

transition, a year of theoretical conclusions and designing plans for the approaching complete set of reforms; meanwhile, it also set out some reform steps to match up with developing the market economy on a new level.

Because the new stage of reform is more strongly characterized by comprehensiveness and continuity, we cannot ask whether the reforms of one particular year were significant and outstanding achievements. Rather, we should base our evaluation on the whole entity and the long term. Especially since the problems which exist in the current economic operations process were brought on for the most part by conflicts between dual channel systems, unavoidable when shifting from a commodity economy to a market economy. Although "strengthening macroeconomic adjustment and control" and leading into the parameters for adjusting parallel systems in 1993 did not completely eliminate the traditional means of planned economic adjustment, the flexible operations of "microeconomic adjustment" and strengthening finances, especially banks' key role in macroeconomic management, have brought under control the basic key elements of the macroeconomic adjustment system linking with the market economy. Of course, it is the economists' responsibility and duty to confront current problems, analyze their outstanding causes, determine ways of resolving them, and propose countermeasures aimed at speeding up reform in the new stage, especially in 1994. It is also the basic starting point of this research report.

#### Reform Achievements in the Transition

In 1993, the central government gathered various forces which drew up plans for comprehensive reform, and proposed a comprehensive set of reform plans, starting with the five areas of finance, revenue, investment, enterprises, and social insurance. This is a major achievement, defining the activity and mission of reform in the new stage under the prerequisite of summarizing the experience of the previous 15 years of reform. It is certain that since 1984, every larger scale reform had a plan, but these were either outlined or just promoted in a single item, without a comprehensive supporting set in accordance with the demands of the market economy. However, 1993's plan was a substantial supporting set of reform plans based on marketization, which prepared for comprehensive creation of the system in the second stage.

In the timely, sequential process of reform, distribution of content and force of reform is not balanced and in equal value; some years have more reform content while some have less content. Usually, in years with less reform content the focus is often on reorganizing and handling the economic order, resolving outstanding new contradictions and problems, creating a better environment for new stages of reform. The "reorganization and handling" of 1989-1991 and the "macroeconomic control and adjustment" of July to October 1993 were both of this sort. But, the former was not only a comprehensive, long term shrinkage of the economy, forcefully implemented, it was also carried out through project cutbacks and termination of investment by administrative orders handed down from higher to lower levels, in



an attempt to control increasing demand through a low growth rate, bringing about an artificial "balance between supply and demand". The result was that three years' reorganization and handling brought on a two and half year slump in the market. In addition, when a favorable reform environment emerged, there was a failure to enforce reform promptly to promote the transition from the first stage of reform to the second stage, and a wonderful reform opportunity was missed.

In contrast, the second shrinkage of the economy was not comprehensive, only about half a year, and carried less force. In addition, it employed parameter controls instead of the traditional quota controls. On the one hand, it adjusted people's and enterprises' monetary activities by flexible adjustment of the exchange rate, thereby stabilizing it, and guaranteeing the RMB's reputation and status; this special effort to unify the exchange rate provided experiences and lessons in currency reform which definitely will be employed in the future. On the other hand, although the interest rate adjustment tended to be small, it basically worked to control the expansion of investment and furthered the tendency of residents to make deposits, stifling their overwhelming urge to consume and stabilizing the market to carry out its "soft landing" function. Doubtless, this parameter control was accomplished through governmental intervention, certainly far from the parameter management of the developed market economy. But the problem is that the banks and the government are still not separate. "Bank independence" and "specialized bank commercialization" still have not moved from theory to reality, the central bank has not gained its independence, stable economic function and rights under the "bank president directed by senior officers" system. If government did not intervene directly, macroadjustment and control would have no function. In the transitional period from the traditional planned economy to the socialist market economy, from direct control to indirect control, we will often have the situation that the new system cannot work if we do not take advantage of the old system; what is meaningful here is that the self-reform of the old system will gradually provide space for breeding the new system. The macroadjustment and control during the summer and autumn of 1993 is a model sample in this regard. For cooling down real estate market, the major goal is to restrict developing a "froth economy," to avoid having capital which is primarily short from flowing into real estate excessively and thereby increasing the basic industry bottlenecks, e.g., transportation, telecommunications, etc. In addition, most of the capital used on the stock exchange and real estate exchange are public funds, so if we do not implement controls until the new system is built up completely, the final explosion of accumulated contradictions will be hard to imagine. Meanwhile, there cannot be lasting, rapid, and healthy development of the economy either.

The operation of economic policy in 1993 can be summarized as "focusing with both hands". This means

using one hand to grasp macrocontrol and adjustment, while suppressing an overheated economy, trying to avoid decline, and maintaining rapid growth. On the other hand grasping system renewal, while carrying out comprehensive reform design, accelerating domestic economic work and progressively regulating marketization of the system. Besides the reform achievements listed above, there was other significant progress in 1993's reform, including the following several areas:

### 1. The key measure of passing price reform

In the past 13 years, China has achieved much in the way of price reform. Up to 1992, in the national market set price rate, agricultural products and by-products occupied 78.5 percent, gross social commodity retail sale value occupied 79.6 percent, and production materials occupied 64.2 percent; as for share of market adjustment in national commodity value, agricultural products and by-products were at 77.8 percent, consumer goods at 83.4 percent, and among these, industrial consumer goods were at 78.1 percent, and production materials at 61.8 percent. In 1993, in the commodity market, those items which had been viewed as related to the national plan and the people's livelihood, such as grain, had their prices opened up comprehensively, implementing a policy of relying on the market fixed price for the most part and totally abolishing the grain ration, with the former ration provision shifted to free purchase in the market. Although there still cannot be grain exchange between farmers and government without government involvement, this type of participation has to be regulated in accordance with supply and demand.

When grain supplies are plentiful, a limited portion begins to appear in the purchasing market, less is expended on grain consumption and possible rises in price after opening up the market do not create huge pressures on the average person's life. Promptly opening up grain distribution and prices was a successful step, offering new experiences in "reform must seek opportunities."

Shifting grain distribution along with market adjustment, fixing grain exchange prices according to supply and demand, demonstrated that China had successfully passed the difficult point in price reform, and also bolstered our confidence in the marketization of housing and rental price reform.

### 2. Building a modern enterprise system was put on the agenda

Building a modern enterprise system is a basic item in the comprehensive reform plans issued in 1993. It broadened our vision of enterprise reform, and showed that deepening enterprise reform was not just a matter of carrying out relaxation of operational rights or clarifying property rights. But it should select and reorganize enterprises' organizational form in accordance with fair competition and perfecting efficiency in combination with relaxation of operational rights and clarification of property rights. There are two fundamental meanings here: one, is that in accelerating the transformation of

the state-owned enterprise system, whether we should go the way of incorporation, how much should be run by local people, how much do we implement the joint stock system, how much should we retain the unified state ownership form with local operation, all must be determined solely by the demands of the developing market and not by artificial will, and even less is it necessary to set a quota figure in advance; two, it would be suitable to creating a fair competition situation for the various types of enterprises, including state-owned, collective, and privately owned enterprises, in addition to requiring a unified tax system, there should be permission given for capital and labor force to circulate freely.

### 3. Initial progress in marketization of key elements

Taking establishment of a modern enterprise system as the basic mission of microscopic reform logically raises the question of marketizing key elements. In 1993, financing channels in China tended to be pluralized, the amount of currency freely exchanged in the currency market increased, especially in the foreign currency exchange market, the government reduced quota restrictions, and broaden the space for automatic adjustment in market supply and demand. In the dangerous situation of abnormal devaluation of the renminbi, the government did not artificially restrict the price level but used the means of raising the interest rate while selling government reserves of gold and foreign currency, in order to narrow the gap between foreign currency supply and demand, and altering enterprises' and individuals' expectations of currency value, and stabilizing the market. This is significant in that it not only did not put any obstacles in the way of further currency and fiscal reform, it also pointed out the possibility and feasibility of establishing a unified currency rate system.

In a country like China, with an almost unlimited labor supply, the development of a labor market, especially the establishment of a labor market in the area of the state-owned economy, will be an important reform project. In 1993, there were two areas in the development of a labor market in the state-owned economy that showed initial progress: one was the establishment of an internal labor market, that is, "one plant with two systems" an arrangement which increased the flexibility of capital inside enterprises and reorganized labor; the other was the establishment of the second job market, breaking the old pattern in which labor could not flow between state ownership and non-state ownership.

### 4. Accelerated development of the private economy

Another important achievement of reform in 1993 was the accelerated development of the individual and privately owned economies. These characteristically were demonstrated in: 1) There was a rapid increase in the number of new registrations. Taking the first quarter as an example, there were 153,000 new private commercial and industrial registrations in addition to the base of 15.53 million registered in 1992 nationally, an increase of over 10 percent. Shanghai had a net increase of 2,000

families in the first half year, with 10 new businesses starting up every day; Dalian had 1,284 new registrations in the first half of the year, a 540 percent increase. 2) Private capital joining state-owned enterprises is quite outstanding. There were 34 state-owned and township collective silk industry enterprises in Huzhou, Zhejiang which implemented joint public-private ownership, with the private share being 60 to 80 percent, and these had a 100 percent rate of success. At present, individual business and private owned business are not only knocking at the doors of big cities, but also at the door of the state-owned and collective economies, and their developmental trend is bright. Although these facts are not obvious results of reform measures, to a certain degree, they can be looked upon as "self-reforms," closely connected with government relaxation of the ownership structure policy.

### 5. Initial achievements in reform of the social insurance system

Since the nineties, national health care, housing, retirement and provision for the elderly have been raised to an important position, but the pace was not stepped up until comrade Deng Xiaoping made his speech during his inspection tour of southern China, and 1993 was a year of significant acceleration. Taking housing reform as an example, each locality implemented "walking on two legs," which means "raise rents, offer subsidies" and preferential sales. Some carried out this raising of rent while offering subsidies in three steps, some in one. Although rents and housing prices generally tended to be low, at a considerable distance from the current market price, it must be considered that in a total reform measure, taking the first step is very important. It is unrealistic to try to accomplish marketization of the welfare system in one step.

In addition to the several areas listed above, 1993 also saw some reform actions by government administrative organs in such areas as finance and tax revenue distribution safety, the external environment for enterprises, etc. However, reform in these areas basically have not jumped out of the traditional planned economy framework. Looking at what is required to develop a new economic system, they are obviously backward. The lack of progress in reform of these areas is precisely an important source of the conflicts and problems produced in the present dual system.

### Background of the New System: Contradictions and Difficulties

Reform has entered a new stage. It is impossible for things to always go smoothly when there is a transition from shallow to deep, from gradual to accelerated, from parts to a whole set of reform supports; there will be many contradictions and difficulties. If we say that reform in the eighties was solely a confrontation with the monolithic system of the traditional planned economy, while all other neglected tasks had to wait for construction, still people were so eager for reform that even

superficial reform had a somewhat positive effect. The nineties mean dealing with the implementation of a complete set of supports for reform and development at a deep level in a situation where a dual, mutually conflicting system exists, and the difficulties are greater. Moreover the major tasks in the new stage of reform, i.e., the property rights mix, reorganization of employment, total marketization of the welfare provision system, remodeling the financial system into competitive banking, reorganizing governmental functions to meet the demands of the market economy, etc., will all probably present a challenge to current profit takers at each level. New conflicts may arise, as will the difficulties of economic reality and the operational process of reform.

Let us start first of all with conversion of the enterprise system, especially state-owned enterprises. This mission has been suggested for several years, but it was only in 1993 that establishment of a modern enterprise system was proposed. Realistically, it has always been difficult to make fundamental breakthroughs. In the past several years, many people have attributed the causes of this to unliberated ideas and old theoretical understanding, but the problem is by no means that simple. If we assume that before the 3d Plenary Session of the 14th Party Central Committee, the task was to smash traditional ideas about reform of state-owned property rights, and the ideas of "clarifying property rights" and stepping up the pace of property rights reform were written into the "Decisions," with unanimous agreement, can it then be said that when conditions are ripe, conversion of the state-owned enterprise system and establishment of a modern enterprise system will be successful? No.

Conversion of the state-owned enterprise system and establishment of a modern enterprise system means accelerating the reorganization of employment, and reorganizing employment will definitely mean reductions in the numbers of employees, and a considerable number of current employees will be dismissed. Once it has been decided to develop a market economy and establish fair competition, we have must be duty-bound not to turn back on establishing and developing a labor force market, for with the promotion of efficiency and competition, unemployment is unavoidable. That was why in the reform plan of 1987-88, we proposed "marketizing employment, and public unemployment," for a market economy without some unemployment and a labor force market are unimaginable. In state-owned enterprises, the difficulty in implementing this plan is not that workers cannot grasp the concept, but rather in the lack of a suitable external environment. Public housing and pensions are now assumed by work units, so if large numbers of people are dismissed, they will be left in society with neither salary, a place to live, or health and welfare benefits; how will they live? Among the 150 million employee contingents we have today, 110 million, or two-thirds, are state employees; even if we dismiss just one-tenth of these, more than 10 million will remain. Calculated by a burden coefficient of 1.72, it means over 27.2 million people may well be in the situation of

having nothing, and being homeless. In addition, China has a surplus agricultural labor force of over 100 million which must be shifted to non-agricultural industry, an average of more than 13 million annually who reach the age of coming into the work force, plus a possible 10 to 30 million people dismissed from collective enterprises. These will all bring huge pressures to relocate surplus labors in state-owned work units.

On the one hand, we should resolve unemployment in state-owned work units through bankruptcy and the system of the excellent winning while the inferior are deleted; on the other hand, it is difficult for surplus people to find new job positions, as well as their family members not having protection. While this will not be a difficult point in this and the next year's reform, it will be a major conflict and difficult situation in the second stage of reform.

In addition, the first 15 years of reform generally smashed the original, excessively concentrated, centralized system, some of the control rights which originally were the central government's have been transmitted to the market and local governments through releasing rights to enterprises and local governments, but in the meantime there also appeared the phenomenon of local government having excessive rights. At present, there are three problems with the behavior of local governments: one is adverse adjustment toward higher levels; two is direct interference with lower; three is obstructing their neighbors. These three have the common objective of protecting local profits. Out of its need to develop the socialist market economy, China must establish unified markets in all areas, establish equal competition in localities, allow enterprises not only to rid themselves of administrative control from the central government, but also rid themselves of direct interference from local governments, promoting each level of government to act only a supply service, as all microeconomic major bodies of government, especially local governments, must accept adjustment by markets. The current situation far exceeds this requirement.

Local governments' adverse adjustment and control toward higher levels is found chiefly during periods of economic adjustment. Whenever the central government cannot implement policy either totally or mixed, it is generally due to not to enterprises but to local governments. This is because when the central government attempts to slow things down, stifling the economy from being too hot, those regions which are already too hot are usually in compliance in public but in opposition in private. Although in report charts, the statistics figure show a reduced rate of speed, yet in practice, there remains an insistence on high speed to resolve regional employment and improve the level of regional development; on mix adjusting, although the central government has repeatedly stressed accelerated development of transportation and telecommunication, etc., in bottleneck industries by means of cooling down manufacturing. Because manufacturing brings high value and large profits, while basic industry is more long-term,



local governments usually put labor resources, material resources and financial resources into manufacturing industry, so there is always an unsatisfactory mix. Thus, resistance at present to total amount and mix adjustment is not from enterprises but from local governments.

Local governments' direct intervention with lower levels is becoming stronger as the release of rights expands with reform. This intervention is aimed chiefly at three targets: one is enterprises, two is banks, three is the peasants. They complain of excessive assignment of labor force, money, and materials, "too many mothers-in-law." Actually, most of these are the activities of local governmental organs. This direct intervention with the main entities of the market, and especially with banks, seriously impedes the normal development of the market economy.

Local protectionism or local economic impedances not only cause duplicated construction among different regions and products and similar technology choices, but also impedes the establishment of a unified national market.

Local governments' non-marketized activities higher, lower, left and right have become a major contradiction in current economic operations and reform. Due to local governments have considerable power, strong economic force, a complicated situation with economic conditions and unbalanced profits, etc., added to the reduction in the central government's powers, there are no corresponding regulations restricting the activities of local governments, so converting local governments' function will become a difficult point in the new stage. The simple tax division system can only resolve the distribution of tax revenues between the central government and localities; it cannot accomplish the goal of redefining local government's function in accordance with the demands of the market economy.

Second, there is a problem with lagging financial system reform. After 15 years' reform, China's financial channels have begun to develop toward multiple elements. In addition to deposits and bank loans, there are government and enterprise bonds, stocks, and other forms of raising funds. However, capital distribution is still affected greatly by the supply system, and in a certain sense, the "external circulation" of capital has more of a market component than does "internal circulation." The reason "internal circulation" has more non-market component is that banks have not been separated from government. The Bank of China not only is not an independent unitary organ with the right to issue currency, it cannot make its own decisions regarding adjustment of currency supply and price levels. It is controlled by administrators in the central government, but in addition each of the specialized banks (especially branch banks) have their credit and loans controlled by local governments; they do not obey markets but local administrators. Meanwhile, banks continue to maintain the state monopoly, rejecting the elimination system, and the lack of competition also results in too tight control of "internal circulation," which make the direction of application unreasonable and inefficient.

Under market economic conditions, finance is at the center of domestic economic activities, the banks are the adjustment center, and interest rates are determined by market supply and demand of capital. However, finance, banking, and interest rates in China are at present still operated directly by the government. Changing this pattern, making an independent, multiple element, competitive, and efficient new financial system has naturally become a third theme and a difficult point in the new stage of reform. The key here is to resolve conflicts of interest and distribution of rights between government and enterprises, and between the central government and local governments.

### Key Choices for Accelerating the Marketization Process

In the first 15 years, the outstanding achievement of converting the economic system in China is the establishment of a price competition system, with the single planned, price setting of the past changed into setting price in the market with government supervision. The focal point of reform in 1994 and in the entire new stage is converting the state-owned enterprise system, and around this focal point, the launching and breakthroughs in reform will be from the following several aspects.

#### 1. Establish a modern enterprise system

The major battlefield for 1994 and future economic reform is in the state-owned enterprises, that is, converting the current state-owned enterprise system into a modern enterprise system. In order to attain this goal, we must implement creativity in both the internal and external state-owned enterprise system. The theme of internal reform is still property rights reform, while external reform includes three basic aspects, i.e., the welfare system, the role of government, and the financial system.

In the transformation of the state-owned property right administrative system, theoreticians are increasing their demands for organizing and building up the limited responsibility corporation and the joint stock limited corporation. So this is a certain measure toward establishing a modern enterprise system and a modern market system. Under a joint stock system there are many levels one can choose, with wide coverage, big corporations doing big shares, small corporations doing small shares, allowing free purchase of shares both by organizations who represent the state's and residents' interests in joint stock. This form of property rights organization can cut across cities and countryside, regions and countries; it helps the flow of capital flow and capital's concentration and decomposition. But, facing the huge scale of state-owned asset property rights that we have now, simply creating a joint stock limited corporation may not be practical; one needs to consider a variety of alternatives. In addition to developing joint stock limited corporations, there should be appropriate development of two enterprise property organization forms: a cooperative rights system and independent, individual capital. These should be developed together by system change, auction, lease, contracting and sales, etc. In the process of reorganizing

property rights, there is no doubt we will absorb the "corporate culture" of enterprise operations in Europe and America, but we must in no way ignore the "individual and family culture" preserved from China. Chinese economic booms in Taiwan, Singapore, and Southeast Asia have proven that the latter can also be combined skillfully with the modern market economy. In order to develop and expand the latter two property rights organizational forms, we can on the one hand sell small state-owned enterprises to individuals and families, while on the other hand carry out reorganization of the system by selling some segments which are unsuitable to capital concentration, for example, selling some branch plants to individuals and families, giving them the freedom to choose the property rights organizational form. Regardless of what means are employed to reform the enterprise system, there must be strict checks on capital and assets clarified, doing a good job in assets evaluation to prevent the nation from losing assets.

Implementing enterprise reform must combine internal and external reform. The principal cause of inefficiency in converting the enterprise system over the past few years has been the lack of a better external environment. Enterprises which should be eliminated cannot be eliminated, redundant personnel who should be dismissed cannot be dismissed, because it is hard to find a job again, benefit allocations are attached to work units so lack mobility, and employees leaving work units face loss of their current residences, medicare, pensions and other benefits supplied by their work units. In order to accelerate the transformation of the enterprise system in the next several years, the first step is to accelerate socialization and marketization in benefits allocation. This will include:

- 1) Establishing a system of socialized unemployment, old age insurance and medical insurance, establishing a nationwide social insurance bureau, allowing insurance companies to operate in multiple forms and with full responsibility for their profits and losses. This will create a situation where workers' and their family members' medicare, pensions and unemployment will neither be attached to work units, nor having trouble at home.
- 2) Reform the current work unit housing allocation system, having all publicly-owned housing managed by corporate enterprises. Housing reform over the past few years stressed the point of trying to raise housing prices, reducing the financial burden of government and enterprises through building houses by raising house prices and then selling some houses at discounted prices. This still has not accomplished the commercialization and marketization of housing. The difficulty here is not that residents lack the ability to bear rising rents, or this is too complex in operation, but rather that the commercialization of public housing must first of all be socialized. We must convert housing allocation by work units to allocation by socialized corporations. Only after housing is socialized will it become possible for the labor force to flow freely among different enterprises.

- 3) For enterprise reform, a good external environment must also include a flexible capital reorganizing system. China's current enterprise system is a system in which "workers will be workers forever, managers will always be managers." There are all kinds of limitations on capital reorganization, such as the "threshold is too high," there are excessive restrictions on registering new corporations through requiring the approval of many departments. But after registration it is difficult to file for bankruptcy, just the opposite of the "easy to register but hard to stay in business" situation which prevails in developed countries. If this abnormal phenomenon cannot be changed, it will be unfavorable to establishing a bankruptcy and unemployment system in enterprises either. If workers lose their jobs and cannot find employment in other work units, some of them can collect funds or obtain loans to establish stores or plants, becoming employers. More small enterprises in existence means the absorption of more of the labor force, as well as providing alternatives for surplus labor in state-owned work units.

## 2. Transforming the Role of Government on Two Levels

The basic condition for establishing a modern enterprise system is the elimination of direct governmental intervention, and this requires transforming the role of government, especially that of local government. First of all, separate government from enterprises, carry out a common policy of "enterprises without mothers-in-law", do not permit government administrative departments to directly involve themselves with enterprises' activities. Government should only take care of legislation, formulate regulations, collect taxes, and regulate enterprises' activities through economic policies that either stimulate or cool down, and all of these accomplished by market parameters. For projects with direct government investment, we should still entrust incorporated enterprises to undertake these but not have them operated by government administrative organs. All government management activities are public matters, and include setting and implementing local tax regulations after implementation of a tax division system, ecological environment administration and public investment in infrastructural projects at the local level, etc.

Carrying out the transformation of governmental functions can be considered on two levels: one is the function of the central government (here we are only talking about the economic function), two is the function of local government. In principle, the chief function of the central government can be regarded as:

- 1) carrying out macroadjustment and control of the domestic economy, including macroemployment and inflation, currency supply and interest rate level, the national tax standard and economic growth and balance administration;
- 2) national level social insurance arrangements, including poverty and unemployment relief; arranging for retirement and care for the aged and subsidies for military people, etc.;



- 3) construction of interprovincial infrastructural facilities;
- 4) developing natural resource monopolies and high tech, education, and research on a massive scale.

Local governments should only undertake public affairs within their local sphere; there are chiefly two basic divisions between their role and that of the central government: one is division of scale, in that the central government governs an entire entity, while local governments govern only parts; the second is that localities lack macroeconomic adjustment and control powers in such matters as the issuance of currency and its circulation, etc. The only direct relationship between these two levels of government and enterprises is revenue, with all other regulatory activities conducted via two intermediaries: the law and the market.

### **3. Model an Independent, Multi-Element, Competitive Financial System**

Establishment of a modern enterprise system requires the support of the modern financial system. At present, in addition to suffering from too much government intervention in supplying, selling, and pricing of goods and in the employment of people, state-owned enterprises also lack the power to make their own choices in the use of capital. The capital distribution system is still in effect. It is not simply a problem of the banks' administration level: the key is factor is that the banking business also suffers from interference by government officers. The reason is that specialized banks are not incorporated, nor are they separate from government. In developed market economy countries, no matter whether commercial banks which operate by enterprise methods or central banks which implement currency policy, the controlling balance between currency supply and demand, the regulation and control of overall interest rate levels are all independent, and any direct interference by government administrative organs is illegal. This explains why their banking system is highly independent, because they are responsible for macroeconomic balance. America has the most advanced banking system in the world, with the greatest degree of independence. While banks in Japan and Germany are subject to more interference from government, this kind of interference is indirect, and usually must be implemented by legal means. When designing and constructing the new banking system in China, we can refer to the Japanese and German experience, and learn from the American model.

Regarding enterprise reform, there is also a problem of inducing the competition system in financial system reform. At present, all of our banks are run by the state, in a kind of monopolistic operation without competition. Would it be possible to try operating the banks on a joint stock system? Everyone is very cautious about this question, because it is harder to control than those assets in material form, such as land, real estate and enterprises. Problems which arise in the reform of material assets are easier to handle than those which arise in the reform of financial assets. Plus, if the government regulations on bank administration are unclear, it is easy

succumb to the lure of reaping staggering profits, so the income gap caused by policy will be too sharp. There must be appropriate controls on taxes on part of the income from bank differential interest rate, and in addition, banks' activities must be regulated by a corresponding set of legal regulations. All of this requires very cautious and strict consideration. Therefore, before launching bank system reform, we must make it a goal that the new banking system "take state ownership as the dominant factor, with multiple forms of ownership forms coexisting". There should be a process for preparing legislation and system design. When the situation is still not ripe, there should be no rush to implement joint stock or privatized capital banks. But this should be considered for the long term. Modeling an independent, multiple-element, competitive bank finance system to develop the socialist market economy is inevitably the road we will take.

### **4. Establish a System in Which Every Citizen Pays Taxes and There Is Public Financing**

Enterprises are the principal entity of the market, developing the market economy depends first and foremost upon establishing this market principal entity. However, the socialist market economy is not a free, laissez-faire economy: the degree of government intervention is stronger and the scale of government intervention is wider than in the Western market economy. One of the former's important characteristics is that it achieves more fairness by means of reallocation. This involves the problem of national taxes, and involves the problem of the distribution relationship between the "state" and the "people."

The chief measure for handling the distribution relationship between the "state" and the "people" is the tax. More taxes mean more benefits go to the state, while less taxes mean more benefits go to the people. Before the implementation of reform, the tax system in China was very simple, having a very small number of varieties, low tax rates and little change. The major reasons for this were: one, there were no privately owned enterprises, and the state-owned enterprises turned over profits instead of taxes; two, both urban and rural residents generally had low incomes, so paid no income tax; three, farmers paid in grains in lieu of tax. Since the implementation of reform some changes have occurred: the state-owned enterprises are carrying out the policy of converting profits into taxes; privately owned enterprises and other types of enterprises have become more important taxpayers; with the rising incomes of both urban and rural dwellers, personal income tax has been produced and expanded; the tax on farmers' materials have been converted into currency taxes. With the tax system changed, in order to prevent the national treasury from drying up, the tax system should correspondingly be reformed; there should be corresponding adjustments in both the varieties and rates of taxes, and these should be implemented by means of strong and powerful measures. In the past several years, we did not attain this point, and policies concerning this aspect had some deviation. This policy deviation was due to the old tax system

growing increasingly unsuitable to the new economic situation. So, accelerating tax system reform has become an urgent matter.

Recently, tax system reform has been listed as a very important issue among five major reform issues, which demonstrates that the central government is giving a great deal of attention to the problems which exist in the tax system. But if we look at the publicity and implementation of policy, it seems that there has been more emphasis on resolving the tax division system of revenue relationship between the central government and localities. It is no doubt very important to carry out a tax division system, as it can clarify the tax allocation of rights, responsibilities and benefits between the central government and localities. This will lay the foundation for smashing the huge, monolithic, central government-intensive type of financial system, and result in the future in less wrangling between the central government and localities, and among localities themselves, freeing each level of government to concentrate on its regular work well, and improving the efficiency of governmental activities. However, we cannot limit ourselves to this if we are to establish a new tax system suitable to developing the socialist market economy; it is urgent that we establish a uniform tax payment system that involves every citizen.

Now, evading taxes has almost become a habit with businessmen, and the taxes evaded increase or decrease with the amount of income. If we do not pay urgent attention to building the system and legal restrictions, it could possibly lead to the people growing prosperous while the state becomes impoverished. The basic points of the tax system reform to be implemented soon should not be an increase or reduction in taxes, but should be a complete tax, which means collecting all taxes that should be paid. We can consider establishing a uniform system of tax payment involving every citizen in three aspects: 1) work out detailed, well-organized tax collection regulations, including the division between national taxes and local taxes, tax varieties, tax rates, deadlines, scale, penalty rules, etc.; the more the detail the better the tax law. 2) Establishing a strict tax reporting system, fixing an annual legal tax reporting term, with individuals and business owners required to report taxes to government tax departments before the deadline. Once tax evasion is discovered, there should be an audit of the past few years' total income and tax report documents, and strict punishment levied. This will form a habit of tax reporting for individuals and business owners by the threat of strict punishment. 3) Establish a two-level system of national tax administration for both central government and provinces, giving tax officers full authority to implement the state's tax laws, and no government administrator can reduce or exempt taxes for individuals or business owners which exceed the powers of tax officers, for any reasons. 4) All individuals, regardless of their status, citizenship, age and gender, must pay their taxes in accordance with the same law. There can be consideration of implementing an employee chart system in which all employees must have employees' charts, as well as showing tax payment forms, letting

government restrict employers, and employers restrict employees. When opening deposit accounts or opening accounts with currency exchange organizations, the tax form must be attached when providing identification.

Operation of the socialist market economy must be based on an extremely strict legal system, and tax laws are fundamental, major laws in a nation's economy. Comprehensively accelerating reform of the tax law is a very urgent part of accelerating reform of the entire economic system.

Tax system reform is actually reform of the state's financial income system. Once equal competition is implemented, and state-owned and other enterprises operate under the same tax law, the state's tax revenues may shrink in scale, so government expenditures will shrink in turn, which will require adjusting the government's financial role. Our present government finances are still comprehensive finances, and after releasing rights and profits, in the original monolithic revenue and expenditure financial model, unified revenues shrank at a faster pace than the unified expenditures did, causing a steady increase in the financial deficit. In 1985, our financial surplus was 2.16 billion yuan, and in 1992 we had a 23.66 billion yuan financial deficit. If there is no adjustment in the pattern of revenue and expenditure, the deficit will continue to grow, even if there is repeated removal of educational funds. The basic way to resolve the current financial difficulty is not to raise taxes ("digging out resources"), and there should be no reductions in scientific and educational funds ("cutting expenses"); rather, there can only be fundamental reform of the financial revenue and expenditure system, and this means moving the comprehensive finances we have now to public financing, except that investment in natural monopolies, extremely huge scale, national defense, and some fundamental industries will continue to be government expenditures, and the government should use capital which it controls to provide social guarantees and other public affairs. So, establishing a system of public finance will become one of the basic missions of reform starting in 1994.

#### Shareholding Companies Record Vast Growth in 1993

94CE0431A Beijing ZHONGGUO XINXI BAO in Chinese  
4 Mar 94 p 1

[Article by Xiao Feng (2556 0023): "Shareholding System Reform Achieves Eight Great Progresses in '93—Throughout the Nation There Are Nearly 10,000 Newly Added Shareholding System Enterprises, Reaching a Grand Total of More Than 13,000"]

[Text] Authorities from relevant national departments have revealed that, in 1993 Chinese shareholding system reform as the core of the structuring of a modern enterprise system with greater speed and greater stability expanded the area of development and achieved distinct advances in the following eight areas.

—Speed. According to incomplete statistics from some provinces and cities throughout the nation as of the end of 1993, during the year at least 9,440 new shareholding system enterprises were added, of which 2,968 were limited stock companies, 6,472 were limited liability companies, and 1,776 were internally held stock companies. The cumulative total of shareholding system enterprises throughout the nation reached as high as 13,000. Total capital stocks were 208.632 billion yuan and, as of 31 December, there were 122 shareholding companies on the market. Throughout the nation there were 51 securities registering organizations and as many as 25 million stockholders. In 1993 there were a total of 174 types of A stocks from surface and in-depth brokers on the market, a 235 percent increase over 1992. There were a total of 41 types of B stocks from the two types of stock brokers, a 128 percent increase over 1992. Compared to the same point in 1992 (31 December), the total 1993 market value (for A and B stocks) increased by 308 percent; the volume of transactions increased by 572 percent; and the amount of transactions increased by 552 percent. In 1993 there were a total of 17 types of legal person stocks on the market, a 467 percent increase over 1992. At the same point in time (31 December), according to the calculation of comparable specifications, in 1993 the volume of legal person stock transactions increased by 186 percent and the amount of the transactions increased by 140 percent over 1992. In addition, last year China also added the legal person stock circulating market, NET system.

—Expanded Scope. The shareholding system enterprise model has rapidly expanded to all trades and professions, from industry to commerce, villages, cultural organizations, athletic departments, and schools all have actively initiated shareholding system experiments. A number of privately owned and collective enterprises in the area of new and advanced technology also discarded their former model of ownership and shifted to shareholding system enterprises. Numerous newly established enterprises and newly established projects (such as the Three Gorges Project) conscientiously use the shareholding system function to help to rapidly raise funds and clearly define property rights.

—Going on external markets, winning the initial victory. In 1993 nine large national enterprises were designated as the first batch to go on external markets. By the end of the year, six enterprises already had accomplished this task. In the short period of six months, six large and medium-sized national enterprises on external markets had as much as HK\$272.8 billion in frozen external funds (not including globally raised amounts), 72.6 times the funds raised in the plan. In addition, the people-run enterprise, Sitong Group, also raised 180 million in Hong Kong. The merger clearly was successful.

—Progress in the legal framework is gratifying. At the beginning of last year, the State Council promulgated the Notice on Further Strengthening Macroeconomic

Controls on Securities Markets, establishing the keynote for this year's national regulation of the securities market. In April the State Council issued the Provisional Regulations on Administering the Issuing and Trading of Stocks to provide China's shareholding operations with an embryonic framework. Subsequently, rules and regulations for such things as disclosing information, establishing a securities exchange, and guarding against securities fraud were implemented one after the other. The most gratifying was that at the end of the year the first major national law, the Company Law of the People's Republic of China, was passed by the Fifth Session of the Standing Committee of the Eighth National People's Congress and was formally promulgated. The legal framework of the Chinese stock system is gradually entering the "three dimensional" stage.

—The interior and remote border province regions are no longer silent. Such "developing provinces and regions" as Shanxi, Nei Mongol, Guizhou, Shaanxi, Gansu, Ningxia, Qinghai, Xinjiang, and Tibet, unwilling to be left behind, are actively engaging in experiments with the shareholding system. Especially Tibet ended the historical gap in experimenting with the shareholding system and in a standard and reliable way developed four shareholding system enterprises, and Lhasa opened a securities exchange business department. In addition, such places as Xinjiang, Gansu, Ningxia, and Shanxi successfully issued stocks to society.

—Remarkable performance convinces people.

(1) Enterprise economic performance: Thirty Shanghai companies comparably strong on the market realized an average 128 percent increase in profits from January through June 1993. These indices far exceeded other types of enterprises.

(2) State asset performance. Stock-issuing premium coefficients were higher than state asset appraised reinvestment coefficients. For example, after the state assets of 10 Shanghai enterprises were appraised, the rate of increased value rose by 56.98 percent and the rate of new assets put into production increased by 10.52 percent. It is obvious that in the reform of the shareholding system the rights and interests of state assets were fully guaranteed.

(3) Stockholder performance: In the first half of 1993, the rate of repayment to stockholders of the first 30 companies on the market was generally between 30 percent and 101 percent. The majority of the outstanding repayment companies on the market were concentrated in Shenzhen, 76.7 percent.

—Stock issuance went safely and smoothly. In 1993 for the first time in Chinese history, large-scale public stock solicitation activities were carried out in various places throughout the country. For this the State Council Securities Commission issued "1993 Stock



Sales and Subscription Suggestions" and one after the other various places established "stock issuing headquarters," resolutely implemented the "three public" principle, and adopted the pattern of unlimited sale subscription certificates and savings account quota sale certificates. Throughout the year, stock issuing went safely and smoothly. That is, there was nothing like the "August 10" incident and excessively large first and second class market profit differentials were curbed.

- Severely punish illegal activities and clean up the stock market environment. The Chinese government and securities control department have resolutely attacked such illegal activities as using stocks for private gain, black market trading, behind the scenes trading, leaking of information, corruption and accepting bribes, unlawful bond trading, and disturbing the stock market. For example, relevant departments have strongly and swiftly dealt fairly and seriously with such cases as the case of the president of the savings bank in Zibo city diverting 1.7457 million yuan in public funds to speculate on stocks; the case of the Guangzhou bond trader swindling customers; the case of a certain seventeen-year-old Shanghai youth cheating on securities; and false stocks and false purchasing certificates appearing everywhere. The cleaning up of the stock market environment has won the acclaim of the vast number of stockholders.

## PROVINCIAL

### Shanghai Property Right Exchange Director Interviewed

94CE0434B Shanghai WEN HUI BAO in Chinese  
17 Mar 94 p 1

[Article by staff reporter Yuan Xialiang (5913 1115 5328): "Shanghai's Property Right Exchange Market Starts From Here: An Interview With Gong Jiemin"]

[Text] Editor's note: The "Shanghai Property Right Exchange Office" was established this year by approval document No. 1 of the Shanghai government. As a big and important step in deepening reform and perfecting the market system for the elements of production, it is attracting people's attention. The Shanghai Property Right Exchange Office will begin with exchanges of collective enterprises' property, and after achieving this will go on to gradually establish a large-scale, concentrated, public, regulated and orderly major property rights market. The "Shanghai Urban and Rural Property Right Exchange Office" will operate at a high starting point, with high standards and high efficiency, then gradually will link up with the domestic and overseas markets, connecting with the international property rights market. In order to help readers understand the establishment background, practical significance and operational form of the "Shanghai Urban and Rural Property Right Exchange Office, we will initially publish this special interview.

The Shanghai Urban and Rural Property Right Exchange Office is located in the Yipingxiang Building, at Alley 1277, Xietu Road, No 14. During the Lantern Festival with its deep atmosphere of spring, this reporter tracked down and interviewed the Chairman of the property right exchange office, Gong Jiemin [7895 0094 3046].

**Reporter:** Why organize and establish a Shanghai Urban and Rural Property Right Exchange Office?

**Chairman:** The office was established after more than half a year's preparation and application to the Shanghai municipal government, and was jointly organized by the Shanghai Agriculture Commission, Municipal Office of System Reform, Municipal Bureau of Commerce and Industry, and the Municipal, Suburban, and County Industrial Bureau. It is another production element market, following Shanghai's 10 other exchange offices of securities, metals, agricultural materials, chemical industry, petroleum, coal, grains and edible oils, automobiles, construction materials, and technology. Although this market is a relative latecomer, it is a very important start. It is an important and big step for Shanghai's establishment of the socialist market system. It is an inevitable high level market after conducting further reform of enterprise property rights. It is a measure which will invigorate the entire situation in the chess game that is big trading, big circulation in Shanghai. These could be the reasons why the Shanghai government approved its organization and establishment in its No 1 document this year.

**Reporter:** Why do you say property right exchange is an important step to further reform?

**Chairman:** The property right is the property owners' (enterprise legal person and natural person) rights to the property. It includes rights of occupation, use (operation), receipt of profits and control. Property right exchange is a special marketing activity which takes property rights as the object of exchanging, with receiving profits from property rights as the goal.

The Shanghai Urban and Rural Property Right Exchange Office is an exchange office focusing on the whole body of enterprise property right transmission (taking the enterprise as a single commodity).

Prior to the implementation of reform and opening, an enterprise was an attachment to executive organs, not a commodity. Enterprise assets were non-liquid, property rights were fixed, a forbidden area for asset flow and reorganization. With the implementation of further reform, such production elements as capital, resources, technology, information, and labor gradually went into the market, and further developed enterprise asset property rights and some enterprise property right exchange, finally developing to the advanced market activity of the total enterprise property right going to the market.

**Reporter:** In establishing the office, why did you choose to start with urban and rural collective enterprise property right exchange?

**Chairman:** Enterprise property right exchange is a complex system. The major reasons for Shanghai selecting urban and rural collective enterprises to begin with are:

First, property rights for urban and rural collective enterprises are relatively clear. Enterprises run by teams are owned by the teams collectively, those run by villages are owned by the villages collectively, those run by towns are owned by townships collectively, and in a joint stock system ownership is by the shareholders. Occupation, use, and division of enterprises is quite clear in these enterprises.

Second, collective enterprise began and developed with the market economy. The enterprises' self-operation, personal responsibility for profits and losses, their self-development, and self-limiting system were all established and in operation early on; moreover, they have a stronger internal demand for exchange of property rights.

Third, it is easier to handle asset and real estate transferrals for urban and rural collective enterprises, and they are especially better at placing and absorbing workers than are state-owned enterprises in cities, so it is relatively easy to transfer entire enterprises.

Fourth, rural and urban collective enterprises have developed rapidly in this era of reform. Most enterprises have a comparatively short history, a light burden of retired workers, and are easy to transfer and cut debts, the amount owed to creditors.

Fifth, at present, urban and rural collective enterprises have considerable assets: there are nearly 20,000 collective enterprises in suburban Shanghai, with original value of over 25 billion yuan in fixed assets. The registered capital of over 3,000 foreign-funded enterprises is more than \$3.5 billion. So potentially, the market for transfer of enterprises either in whole or in part is very wide.

**Reporter:** Why should property right transferral be concentrated in a property right exchange office?

**Chairman:** The governing principle for all market competition should be public, legal, fair, regulated and orderly conducting property rights exchange. Carrying out enterprise property rights exchange by concentrating it in a property right exchange office helps to break down divisions among regions, industries, departments, and ownership, to form an intensive and unified large market, and helps protect enterprise assets from losses, preserving and adding to their value. Concentrating the conduct of property right exchange in an exchange office is valuable in that it provides an information center which can help enterprises straighten out their reserve assets, and perfect the allocation of key production elements through reasonable property right exchange. At the same time, it also helps to regulate the relationships among enterprises, the market and the government, and protects the legal rights and profits of publicly owned capital based on public ownership by administrative, economic, and legal means.

**Reporter:** What is the organization and composition of the Shanghai Urban and Rural Property Right Exchange Office?

**Chairman:** The Shanghai Urban and Rural Property Right Exchange Office will operate the chairman responsibility system under the direction of an administrative committee. It has three offices and five departments: the office of the chairman, management office, and general office; information department, overseas department, exchange department, legal department, and accounting department.

The intermediate organization for enterprise property rights exchange is the property rights brokering corporation; these are property rights brokers.

The property rights management corporation attached to the property rights exchange office is a property rights brokering corporation established in accordance with national laws, legal regulations, and temporary property rights management measures fixed by the property rights exchange office.

The property rights brokering corporation is divided into three types: in order to guarantee that the exchange market for urban and rural collective enterprises is concentrated, public, and regulated, they established brokering corporations at the district or county level which are based on the management of urban and rural collective enterprises. This was done to straighten out exchange and speed up circulation in the property rights market, by establishing a group of brokering corporations directly organized or supported by financial organs, big enterprise groups and foreign trade organs. There will be planned, situational development of overseas members and members outside of Shanghai.

**Reporter:** How will the Shanghai Urban and Rural Property Rights Exchange Office attain its goal of operating from a high starting point, with high standards and at a high level?

**Chairman:** At the outset of its operations, the Shanghai Urban and Rural Property Right Exchange Office will conduct "regulation, marketization, and modernization".

Regulation means conducting regulated operations according to rules. The exchange office fixes and organizes internal organs strictly according to the exchange office's rules, the administrative commission's rules, the exchange office's administrative methods, temporary management methods of property right brokering corporations, provisional membership management articles and founding organizations. Exchanges will adhere strictly to several proposals concerning property right exchange submitted by the Shanghai government and the regulations and orders in the property right brokering corporation's provisional administrative measures. The whole procedure of registering sales, evaluating assets, the standard exchange contract and agreement, any changes in property right and the registration of these changes will all be standardized documents.



Marketization and modernization mean that property right exchange activity must be a marketing activity, as well as using modern tools such as the computer to build up a highly efficient management system through use of internationally advanced exchange measures, concluding deals by matching pairs. This high-standard regulated exchange activity will expand the market coverage rate, and connect our property right exchange market with the international property right market.

#### **Report Given on Shandong Use of World Bank Loans**

94CE0474C Jinan DAZHONG RIBAO in Chinese

6 Apr 94 p 1

[Article by Sun Yingzhuo (1327 2019 3820): "Shandong Use of World Bank Loans Inspected"]

[Text] It was the second day of the conference convened to inspect Shandong's utilization of World Bank loans. During the morning session, Vice Governor Song Fatang of Shandong, Director Nicholas Hope of the World Bank's China and Mongolia bureau, and an official from the World Bank office of the Ministry of Finance addressed the gathering on behalf of the provincial government, the World Bank, and the ministry, respectively.

Song Fatang began his remarks by expressing his warm welcome to World Bank officials who had come to Shandong for inspection and guidance purposes. He said, "There has consistently been good and effective cooperation between the province of Shandong and the World Bank since 1982. As of late 1993, Shandong had utilized a total of \$824 million in World Bank loans distributed among 26 projects with a combined investment of 11.74 billion yuan. Of the total loan amount, almost 40 percent went to energy; 30 percent, agriculture; and the rest, communications, industry, and social development. Utilizing World Bank loans, Shandong has expanded projects in agricultural irrigation, highway construction, education, and public health; accelerated agricultural and economic development in impoverished areas; furthered the development of basic industries; and raised technical and managerial standards, all of which has had positive effects on economic and social development in Shandong.

Song Fatang noted in his speech that the signing of a loan agreement is but the first step in bilateral cooperation. Reviewing a project promptly and investigating and solving in time the problems that arise in the course of implementing a project are important ways to ensure that a project is completed successfully and meets expectations. The latest conference, he said, would do much to help Shandong utilize World Bank loans even better. He expressed the hope that the World Bank and the various ministries in the central government would continue to show interest in and support Shandong.

Mr. Hope expressed his heartfelt thanks for the warm reception given him and others by the Shandong provincial government and the meticulous way the conference was put together. He said, "China's outstanding performance in executing World Bank loan projects is known

to all. Currently 90 projects are under way with a total loan amount of \$16 billion. Shandong, in particular, has accumulated a wealth of experience in implementing a variety of projects and for the most part compares very favorably with other provinces and nations. As China undertakes more and more World Bank-financed projects, inevitably a host of problems will occur. This conference is profoundly significant in that it gives us an opportunity to obtain a detailed understanding of the implementation of provincial-level projects."

Director Huang Kehua of the Shandong Finance Office presented a report on the inspection of Shandong's utilization of World Bank loans. He expressed the hope that cooperation between Shandong and the World Bank would cover an even broader area, including environmental protection, infrastructural development, social development, economic development in impoverished areas, and housing reform. Dawude, director of operations in the World Bank's representative office in China, devoted his report to a detailed description of the implementation of World Bank-financed projects in Shandong and had high praise for the specific way in which Shandong utilizes World Bank loans.

In the afternoon the conference broke up into small groups to discuss the financial issues of loan projects, cost and risk analysis, and other topics.

#### **Shandong Patent Applications Fourth in Nation**

94CE0474A Jinan SHANDONG JINGJI RIBAO

in Chinese 30 Mar 94 p 1

[Article by Pang Daofeng (1690 6670 1496) and Zhang Li (1728 5461): "Shandong Patent Applications Fourth in Nation"]

[Text] According to information given reporters the other day by the Shandong Patent Bureau, there were 4,691 patent applications in the province last year, of which 4,019 were approved. In both the volume of applications and the approval rate, Shandong ranked fourth in the nation, making it a major patent province.

Of all patent applications, there were 812 inventions, 3,262 new practical designs, and 617 industrial designs. Achievements that stood out at home or abroad accounted for a major share of patent applications, such as the light flour processing equipment, which filled a void within China and has been designated by the state for dissemination on a priority basis, and Type B silica gel, which reaches the most advanced level in the world. Also gratifying is the fact that patent applications in Jinan, Weihai, Weifang, Zibo, Jining, Rizhao, Dezhou, Liaocheng, and Binzhou were all up significantly compared with a year ago.

To convert patented technology into productive forces as soon as possible, the provincial patent bureau has always tackled patent implementation and protection as a priority with outstanding success. According to incomplete data, 2,108 patented items were developed province-wide with

combined sales of 5,823,000,000 yuan, generating 877 million yuan in profits and taxes and earning \$421 million in foreign exchange. After their transformation into productive forces, some patented products have released enormous energy. The light flour processing equipment had over 200 million yuan in output last year, generating 60 million yuan in profits and taxes. Type B silica gel too generates over 1 million yuan in profits each year. As part of its patent work, the patent bureau tackles patent protection aggressively. It handled over 50 patent disputes last year and closed 90 percent of the cases.

Meanwhile, to encourage innovation and promote patent application by enterprises, the bureau has conducted patent selection activities the third time, giving out 15 golden awards and 51 outstanding awards, a powerful boost to the development of patenting.

### Shandong Leads Nation in Economic Indicators

94CE0474B Jinan SHANDONG JINGJI RIBAO  
in Chinese 25 Mar 94 p 1

[Article by Liu Yong (0491 0516) and Hai Yan (3189 3601): "Shandong Sets Economic Pace for Nation"]

[Text] By grasping opportunities and deepening reform, Shandong has achieved sustained and steady economic growth, consolidating its lead over the country in 1993 by every economic indicator.

Shandong's gross provincial product reached 270,088,000,000 yuan in 1993, second only to Guangdong's 314 billion yuan, up 24.2 percent from a year ago and 11 percentage points higher than the national average. Shandong topped the nation in both the increase in gross agricultural output value and the gross agricultural output value, reaching 59.6 billion yuan and 99.4 billion yuan, respectively. Its gross agricultural output value rose 14.3 percent, a full 10.6 percentage points higher than the national average, making Shandong far and away the leader in the nation. A bumper harvest was recorded for all major agricultural crops with the exception of cotton. Grain output broke the 40 million ton barrier to hit 41 million tons, just a tad lower than Sichuan's 41,506,000 tons. While Shandong ranked second in grain output nationwide, it led the country in oil-bearing crop output and aquatic output, reaching 2,684,000 tons and 3,193,000 tons, respectively.

The secondary industry increased its output value to 144.2 billion yuan in 1993, below Guangdong's 156 billion yuan and Jiangsu's 150.5 billion yuan, respectively, making Shandong the third-placed province in the country, the same position it held last year. Gross industrial output value at the township level and above climbed 35.7 percent, the second fastest in all China, to 342.91 billion yuan, the third largest. Township-run industry grew by leaps and bounds last year, achieving an output value of 104,287,000,000 yuan, the second largest in China. The mix of products was continuously adjusted and optimized. Among major industrial products, Shandong again topped the nation in the amount of electricity generated and crude salt and soda ash output and placed second in crude oil, cement, and cloth output.

By increasing investments and giving it preferential support, Shandong has helped its tertiary industry achieve robust growth. The industry's output value grew 66.2 billion yuan, or 32.5 percent, in 1993, second only to Guangdong, marking the first time it expanded faster than either the primary or the secondary industry in the last decade. Already the development lag between it and the other two counties has begun to shrink.

The scale of capital construction expanded and the distribution became more reasonable. Investment in capital construction province-wide amounted to 25.8 billion yuan in 1993, the fourth largest in China. Of the total investment of 25.8 billion yuan, production-oriented investment made up 17.05 billion yuan, the third largest in the nation, while non-production-oriented investment accounted for 8.75 billion yuan, the fifth largest. The drive by the provincial finance office to increase revenue and cut spending was remarkably successful. The province collected 19,443,000,000 yuan in revenue, the seventh largest, and spent 18,846,000,000 yuan, the fourth largest.

Circulation channels were unimpeded and prices rose less rapidly than elsewhere in the country. Gross social commodity retail sales in the province amounted to 99,384,000,00 yuan, the third largest in the nation. At 110.7 percent, Shandong's general retail price index was lower than the national average of 113.2 percent, securing for Shandong the 27th spot among the 29 provinces and municipalities in the country.

## INDUSTRY

### Apr Output Figures for Textiles

HK2605104594 Beijing CEI Database in English  
26 May 94

[Text] Beijing (CEIS)—Following is a list of the output of textiles in April 1994, released by the State Statistical Bureau:

| Item           | Unit     | 4/94    | 4/93  |
|----------------|----------|---------|-------|
| Yarn           | 10,000t  | 45.36   | 42.94 |
| Yarn           | 10,000pc | 252.43  | 239   |
| Cloth          | 100m.m   | 15.63   | 15.73 |
| Of:            |          |         |       |
| Pure cotton    | 100m.m   | 8.59    | 9.14  |
| Chemical fiber | 100m.m   | 1.98    | 1.62  |
| Silk           | 10,000t  | 0.81    | 0.73  |
| Silk fabric    | 100m.m   | 2.70    | 2.63  |
| Woolen fabric  | 10,000m  | 2290.25 | 2152  |
| Knitting wool  | 10,000t  | 2.36    | 2.53  |
| Garments       | 100m.pc  | 3.22    | 2.75  |

Notes: t—ton, pc—piece, m.m—million meter, m.pc—million piece

## SMALL-SCALE ENTERPRISES

### Establishing Labor Unions in Rural Enterprises

94CE0313A Beijing GONGREN RIBAO in Chinese  
8 Feb 94 pp 1, 2

[Article by Yu Hui (0060 6540): "Theoretical and Practical Bases for Establishing Labor Unions in Rural Enterprises"]

[Text] Since the Third Plenum of the 11th CPC Congress, China's rural enterprises have grown exponentially, developed rapidly and become an important component of the national economy that exerts significant leverage in building socialist modernization. By the end of 1992, the total number of rural enterprises reached 20.78 million, employing 105 million people, producing an annual output value of 177 billion yuan, of which 127 billion yuan represented industrial output value or about one-third of China's total. The abrupt start and rapid development of rural enterprises represent an unanticipated major byproduct of the reform and opening policy as well as great historical progress in China's rural economic and social developments. Therefore, establishing rural enterprise labor unions by a planned and systematic approach, adjusting as required to the trend, firmly adhering to reality and testing the approach under different circumstances, has significant meaning in terms of promoting development of rural enterprises in China.

#### I. Theoretical Basis for Establishing Rural Enterprise Labor Unions

Rural enterprise development is both an important component and a notable feature in establishing socialism with special Chinese characteristics; it is a road that socialist China must travel in order to industrialize. In carrying out industrialization, capitalist countries generally have built up industries by bankrupting agriculture and developed urban cities at the expense of rural areas. China as a socialist country cannot travel down this road. It is a fact of life that some 80 percent of China's population live in rural areas. Comrade Deng Xiaoping and the Party and Central Government, therefore, have advocated giving strong and enthusiastic support to the new initiatives represented by the rural enterprises, vigorously mobilizing millions of peasants to enter into industry and commerce, promoting a new model of laborers who "leave their farmland without leaving their village homes, and who work in factories without going into the cities," and accelerating and strengthening the growth and vigorous development not only of the labor rank and file but of the rural enterprises themselves.

Rural enterprise development is important not only in liberating and developing the society's productive force under Marxism, but also in terms of minimizing the three great discrepancies. For a developing socialist country like China with a large population and limited resources, the question of how to gradually eliminate the three great discrepancies and realize common prosperity

has very serious theoretical as well as practical implications. Rural enterprise development opens up a major route for reducing the three great discrepancies by effectively strengthening grass-root political power in the new era represented by an industrial-agricultural alliance and at the same time maintaining the integrity of the socialist system.

Development of a market-oriented economy implies that more and more people will no longer depend on agriculture for their livelihood. China is in the early stages of socialism and will gradually be changing from an agricultural nation with a majority of population engaged in farming to a modern industrial nation in which nonfarm population will be in the majority. The rapid development of rural enterprises has changed the structures of industrial enterprises and labor rank and file concentrating in urban cities and areas. By 1992, among the 105 million people employed in rural enterprises, approximately 20 million were classified to be "of farming origin, now employed as laborer;" these people basically have completed the peasant-to-laborer transition and now possess the basic characteristics of the labor class. A majority of these laborers are found in the large and medium-sized cities and suburbs along the southeastern coastal areas, and mainly employed in enterprises operated by villages and townships. Although as a category these laborers originally came from rural areas, they have basically left agricultural pursuits to devote full-time to industrial production; their source of livelihood come from wages and their lives are increasingly integrated with socialist production. Some of the rural enterprises have come close to or reached domestic and international advanced standards in terms of technological facilities, production scale, management standard and economic strength. Along the coastal areas and in the large and medium-sized cities and surrounding areas, there are many townships that now possess the special characteristics of modern life. The workers in these townships are radically different from the traditional peasants in methods of production, social living, economic and labor relationships as well as concept of values; these workers attach greater importance to the ideology of collectivism and to organizational rules and regulations and they themselves are becoming a major driving force in reform and opening and economic construction.

#### II. Establishing Labor Unions Is An Objective Requirement in Rural Enterprise Development

Rural enterprise labor unions are the inevitable products at a certain stage of rural enterprise development. For rural enterprises to continue to develop rapidly, labor unions need to be established because of economic imperatives as well as the need for public support of the masses.

Rural enterprises have numerous advantages. From the time they were established, they have developed under market competition in which only the strong and fit survived, and they have demonstrated strong vitality. But in the process of development, several rather



common contradictions have remained unresolved: First, the contradiction between the ideological and technical-cultural quality of the work force and the increasingly modernized enterprise management. According to studies, close to 20 percent of the rural enterprise work force has a cultural level of less than secondary or primary education, less than 3 percent has completed secondary schooling or specialized training, and some 43 percent of the total work force are employed in non-technical jobs. Second, the contradiction between the enterprise management and the lively and vigorous market operating system. Rural enterprises have their own lively special characteristics in production management, labor utilization, internal allocations, etc. But due to special circumstances and certain historic conditions, some rural enterprises are still weak in management. Third, the contradiction between the speeding up of enterprise development and the lack of coordination in labor relations. Many rural enterprises still have problems in labor utilization and allocation, working conditions and social welfare.

Establishing labor unions represents the urgent and sincere desire of the rural enterprise work force. The workers consider it honorable and satisfying to be members of the labor class by joining labor unions; their desire to join is increasing daily and they hope to exercise their democratic rights through the labor unions and, as union representatives, enter into discussions with management on enterprise production, labor utilization and protection and social welfare; they hope that labor union representatives can help maintain and protect their personal benefits; they also hope that labor unions can assist by providing them with opportunities for further study and training. The majority work force in rural enterprises has shown a great deal of enthusiasm for joining labor unions; according to a survey of 1,200 rural enterprise laborers conducted by Wuxi City, 86 percent of those surveyed indicated they would like to join labor unions.

Establishing labor unions also represents the desire of many rural enterprise party and government leaders. Faced with fierce market competition, many rural enterprise cadres in Suzhou City deeply feel the need to catch up in "five aspects in which they are falling behind," namely, as the scale of enterprise is enlarged, the leadership system is falling behind; when enterprise development requires that ideological, moral and technical qualities of the work force be raised continuously, the education of workers is falling behind; because important enterprise decisions also require taking into account the feelings of the masses and their benefits, democratic management is falling behind; while enterprise leadership needs to understand in a timely fashion the thoughts and feelings of the work force, the work in communicating with workers and labor welfare are falling behind; and finally when factory directors and party secretaries are busily engaged in production management, the task of studying and improving labor protection and welfare is falling behind. Many enterprise managers in Wuxi

City generally agree that they are "too busy to cope" with four problem areas, namely, enterprise management, ideological education, technical training and solving issues of labor protection and welfare. It is urgently hoped that [rural enterprise labor unions] will effectively "assist" in the same way as labor unions in State-owned enterprises to organize the masses for self-management, to help the enterprise by exercising oversight, and to assist the enterprise leadership to carry out tasks which strengthen the enterprise's drive and competitive strength. According to a survey of over 2,000 rural industrial and commercial enterprises in the suburbs of Wuxi City, 98 percent of the managers agreed that labor unions should quickly be established among the rural enterprises.

For rural enterprises to get on track with modernized management and socialized production and to more effectively engage in market competition, we will need to depend on the Party and Government to devise progressive, comprehensive and relevant policies and regulations; much work remains to be done by all parties, with labor unions helping to organize the work force and the laborers themselves relying on their own strength to make progress and at the same time to help promote progress in the rural enterprises.

### III. Basis in Policy and Law for Establishing Rural Enterprise Labor Unions

It has been exactly 10 years since China's first rural enterprise labor union was established in 1983. During the past 10 years, the Party, Government and labor union organization have paid close attention to the growth of this new army of labor rank and file. In 1984, the All-China Labor Federation began to organize rural enterprise labor unions on a trial basis. In 1988, the CPC Central Committee Politburo Standing Committee, after discussion, approved in principle the "Basic Concept of Labor Union Reform" which states: "All rural enterprises which meet the required conditions should establish labor unions based on the principle of free will of the workers." In August that same year, document No. 17 (1988) of the CPC Central Committee Office of General Administration points out that with rural enterprises developing and strengthening on a daily basis, the trend to establish labor unions should be followed. In 1992, the "Labor Union Law of the People's Republic of China" was promulgated, which clearly specifies that: All workers whose main livelihood is based on wages received from rendering physical or mental labor in any enterprises, organizations or work units—regardless of nationality, ethnicity, sex, occupation, religious belief or educational level—shall have the right to legally organize and join labor unions. Not long ago, given the concern of leader cadres and comrades in the Central Government, responsible personnel of the All-China Labor Federation and the Agricultural Ministry, after discussions and coordination, reached agreement on the issue of rural enterprises establishing labor unions and made a number of joint recommendations in the minutes of the meeting. These recommendations provide the basis for political

support, legal protection and implementing steps for rural enterprises to establish labor unions.

With support from party and government leadership and joint efforts of labor organizations at all levels, close to 20,000 rural enterprises have established labor unions with a total membership approaching 3 million persons, while some 2 million persons are in the process of being unionized. Practically speaking, establishing labor unions in rural enterprises is beneficial in several areas: it strengthens party leadership of having rural enterprises to follow and fulfil in practice the labor class objectives; it strengthens ideological political work and technical job training to raise the quality of the work force; it stabilizes coordination of enterprise-labor relations to maintain the legitimate benefits of the work force; and it strengthens management, promotes development and improves economic benefits of the enterprises.

#### **IV. Positively and Practically Carry Out the Work of Establishing Rural Enterprise Labor Unions**

Gradually establishing rural enterprises labor unions is a glorious mission which history has assigned to us. However, in establishing rural enterprise labor unions, certain concrete and practical conditions must also be met. These conditions include: the enterprise having a legal corporate status, a fixed production site, a certain scale of production, facilities as well as technical expertise, engaging in normal production with a stable work force and earning relatively good economic returns. Based on analysis of data, only 2 percent, or about 400,000, of all rural enterprises at present meet all the conditions for establishing labor unions, and their work force totals approximately 20 million workers. These enterprises are mainly located along the southeastern coastal areas and in the large and medium-size cities and their environs, and most of these are collective enterprises operated by villages and townships.

From China's overall standpoint, establishing rural enterprise labor unions at present is still in an experimental stage and should be expanded in principle, but it cannot be done in one stroke. Rural enterprises in the coastal areas, being developed, ready and able to meet the requisite conditions, can gradually proceed on a trial basis; for rural enterprises in China's central area, labor union organizing work is only in the preliminary stages but can be expanded on an experimental basis; in the western area, however, the requisite conditions for establishing rural enterprise labor unions should strictly be observed; but all "foreign funded" rural enterprises, particularly the "three-sources combined" type, should speed up the establishment of labor unions.

Among the already established rural enterprise labor unions, we should focus on their special characteristics, concretely develop them and strive to raise their working standards. There are some commonalities between rural enterprise labor unions and their urban counterparts. The former should concentrate on learning from the rich

experiences of the latter. At the same time, rural enterprises have their own special characteristics. They cannot copy or transfer wholesale the *modus operandi* of their urban counterparts; rather, by studying and learning from the work experience of their urban counterparts, rural enterprise labor unions should bravely explore, experiment, gradually shape and perfect the operational parameters of labor unions with special rural enterprise characteristics. Rural enterprises should view enterprise production and economic returns as an integral whole, and mobilize the work force to contribute to the various missions and tasks involved; carry out effective education to raise the quality of the work force; organize the laborers to participate in democratic management, and tap the strength of the masses to run a good enterprise; protect and maintain the legitimate benefits and interests of the work force by coordinating labor relations and stabilizing the labor rank and file; pay special attention to difficulties encountered by the workers, and assist in making and administering gradual improvements in labor conditions and worker welfare; perform more practical services for the workers; prepare and concretely develop cultural and physical programs to energize and enrich the workers' spiritual livelihood, etc.; and fully develop the special advantages of labor unions.

Establishing rural enterprise labor unions is a major task that requires an overall, political and mass-oriented focus, it absolutely should not be treated simply as an operational task. With leadership party and government support at all levels, we must probe deeply into the lower levels and investigate, study and constantly summarize experiences of our work in order to shape and perfect relevant policies and measures to promote healthy development in the work of establishing rural enterprise labor unions.

## **LABOR**

### **Improving Employment Boosts Women's Status**

94CE0375A Beijing ZHONGGUO XINXI BAO  
in Chinese 2 Feb 94 p 3

[Article by Xu Yanhong (6079 1750 7703) "Employment—Important Route to Raising Women's Status in Society: Interview with State Statistical Bureau, Social Department director Wu Jun (0702 6511)"]

[Text] In September 1995, the United Nations Fourth World Women's Congress will be held at Beijing—the largest international conference to take place in China since the birth of the People's Republic. At that time, 15,000 representatives of United Nations member states will gather in Beijing to discuss issues of women in the world. One-half of the human race being female, issues of women are relevant to the development of human kind. Not long ago, this reporter called on State Statistical Bureau's Social Department director Ms. Wu Jun,



who is a member of the propaganda subcommittee of the China Organizing Committee for the 4th World Women's Congress.

[Reporter] In July 1985, the 3rd World Women's Congress held in Nairobi, Kenya, adopted the "Nairobi Forward Strategy for Raising the Status of Women by the Year 2000." May I ask what is the current status of women in China?

[Wu] At present, with respect to employment of women in China, it can be said that the number of women employed is rising rapidly, but their status within the occupational structure is improving slowly; that basic education is rapidly reaching more women, but the rate of women graduating from higher education is slow; that traditional concepts still to a considerable degree hamper development of women's self esteem and competitiveness; and that discrimination in the society against women still exists and women do not enjoy equal educational and employment opportunities.

[Reporter] What are the results of China's effort to raise the status of women?

[Wu] China is one of the countries that endorsed the "Nairobi Strategy." The Chinese government has historically emphasized the importance of raising the social status of women. In the current waves of reform and opening, women in China are marching smartly forward in the society, and this can be seen in terms of the following:

First, the number of women employed is increasing rapidly. Reform and opening have created a favorable societal environment for women to play their role. In 1990, of the total 647,240,000 persons employed in China, 291,010,000 were females, an increase of 27.7 percent over the 1982 figure. In this same time period, the number of males employed increased by 21.3 percent. In 1990, the number of females employed constituted 44.96 percent of the total employed population, an increase of 1.27 percentage points over 1982.

Second, channels of employment for women are widening. In the last few years, women's employment in the various trades and occupations has shown considerable changes. The number of females employed in financial and insurance trades has increased 1.6-fold, commercial food service and supply trades 79.6 percent, offices and organizations 78.6 percent, and public health and welfare trades 42.7 percent. Other than transportation, telecommunications, construction and real estate services, where increases in the number of males employed are greater, in all other trades and occupations, the rate of increase of females employed is faster than males. In health and welfare occupations, the rate of increase in employment of females is much greater than males.

Third, the cultural background of women been raised, while their status within the occupational structure continues to improve. In 1990, the number of women with junior high, high school and college education increased

56.98 percent, 37.6 percent and 2.08-fold respectively over comparable figures in 1982. The fact that women's cultural and educational level is rising has contributed to improved employment status of women.

[Reporter] What do you consider to be the most pressing issues for women in China today?

[Wu] There are several: Women still have more difficulties seeking employment and, for college-educated women, obtaining work assignments matched to their training; in terms of improving their status within the occupational structure, women still tend to hold lower grade jobs; in rural areas, women face greater difficulties moving into other non-agricultural fields; and in the work force, a relatively higher proportion of females employed are of the younger age groups.

In education of women, both their numbers and rate of enrollment in school are low among females of school age in rural areas; overall, among the employed, the higher that educational or technical background required in certain occupations, the lower the proportion of women represented therein.

[Reporter] To realize the "Nairobi Strategy" stated goal that "for women to participate in development, there must be realistic assurances that women and men can participate equally in formulating plans for national economical and social development, and take part concretely in developmental activities," what further steps should China undertake to help implement this goal?

[Wu] To begin with, first we should further intensify reform and liberate and develop our productive capacity. Only through deepening reform, continually liberating and developing our productive capacity, raising the automation, technological and knowledge levels in our work while lessening the degree of direct reliance on man's physical labor in the production process, can we further widen the channels of employment for women. We must at the same time vigorously develop the tertiary industries.

Second, we need to raise the levels of socialization, mechanization and automation in household chores and labor.

Third, we should vigorously develop education. With respect to education for females, we should strive for a unified approach to making basic education available to all women as well as raising the educational level of all women. In 1990, close to one-third of the females age 15 and over were illiterate or semi-literate; while only 2.3 percent of women in ages 20-24 had a college education. Therefore, on the one hand, we should concentrate on eliminating illiteracy among women, at the same time, we must also emphasize promoting higher education for women.

Fourth, we should ensure that in the process of developing the socialist spirit and culture, concrete efforts are made to promoting respect for women and supporting

and protecting benefits for women through widespread propaganda and creating an atmosphere conducive to realistically carrying out our tasks.

### Labor Export Develops Rapidly

94CE0477B Beijing ZHONGGUO SHUIWU BAO  
in Chinese 27 Apr 94 p 1

[Article by reporter Chen Jianzhong (7115 1696 0022):  
"China's Labor Export on Contractual Basis Develops  
Rapidly"]

[Text] China's system to sign contracts to provide labor service for construction projects abroad and cooperate with foreign countries in the field of labor service is developed under the guidance of the reform and opening-up program after the Third Plenary Session of the 11th CPC Central Committee. Right now, it is of a fair-sized scale on the foreign labor market, and it has attained remarkable economic results.

Between 1979 and 1993, China signed 45,257 contracts with foreign countries to provide labor service for construction projects abroad. The total contract value reached US\$32 billion and the total volume of business valued at US\$19.6 billion. More than 740,000 laborers were sent out to foreign countries to help develop various projects. The total contract value, the total volume of business and the total number of laborers sent abroad during this period rose an average 46 percent, 36 percent and 16 percent respectively each year. Especially in 1992 and 1993, China's contract business for labor service abroad progressed rapidly.

China's contract business for labor service abroad almost covers the whole world. Right now, it has extended to 169 countries and regions. Asia is the world's largest market for contracted labor to foreign countries at present. It is also China's largest market for such labor service during the past several years. In 1993, China signed a total of 7,310 new labor service contracts with 35 Asian countries and regions with a total contract value of US\$4.144 billion, and provided labor services valued at US\$2.81 billion. Africa was one of the regions where China started its contract labor services abroad earliest. In 1993, China signed 607 new labor service contracts with 49 African nations with a total contract value of \$702 million and provided labor services valued at \$618 million. The number of Chinese laborers and personnel in Africa reached 19,400 at the end of 1993. Europe, especially Russia, is where China's contract labor service abroad had developed most rapidly in recent years. In 1993, China signed 918 new labor service contracts with 32 European nations with a total contract value of \$715 million and provided labor services valued at \$331 million. The number of Chinese laborers and personnel in Europe reached 20,800 at the end of 1993. In 1993, China signed 373 new labor service contracts with 30 American nations with a total contract value of \$160 million and provided labor services valued

at \$150 million. The number of Chinese laborers and personnel in Africa reached 9,036 at the end of 1993.

As of now, 312 enterprises in China have been authorized by the state to provide labor service abroad on a contractual basis. Some of them are of a comprehensive nature, while others are of a professional nature. In addition, there are more than 70 scientific research institutes which carry out designing and consultation work. These enterprises and research institutes form an enterprise group which helps China compete with foreign contractors in all trades and dimensions on the world labor market. After their continuous developments, many enterprises such as the China Construction Engineering Corporation, the China Harbor Engineering Corporation, the China Metallurgical Corporation, the China Hydraulic Engineering Corporation and the China Road and Bridge Engineering Corporation have joined the ranks of the 250 largest contractors in the world. The total value of the overseas contracts signed by these five corporations reached \$1.8 billion in 1992, accounting for 1.23 percent of the total value of all 1992 international contracts signed in the world and 20.3 percent of the total overseas contract value of the contracting companies in developing countries. These five corporations had notably raised their capabilities in providing labor service abroad for large foreign construction projects.

There were 16 companies in 1991, 16 companies in 1992 and 20 companies in 1993 in China, whose annual labor service contract value abroad exceeded \$100 million. Meanwhile this amount is on the increase at all times. In 1993, the total contract value of these 20 companies reached \$4.05 billion, accounting for 59.6 percent of the contract value of all the labor service contracts signed in that year. In addition, some small new companies such as the "Beijing Construction Company", the "Aquatic Production Company", the "Oceangoing", the "Eastern", the "Black Engineering," and the "Good Fortune Labor Service" are catching up and overtaking the old-timers. They had done an excellent business in 1993. There were 15 small companies in 1992 and 25 small companies in 1993, whose volume of business exceeded \$50 million each year. In 1993, the volume of business of these 25 companies reached \$3.398 billion, and they accomplished 74.4 percent of their annual goal in business. In addition, China has also expanded its services for designing, planning and consultation on the world market, and increased its capability in contracting and cooperating with foreign countries for labor service abroad. According to incomplete statistics, enterprises including the "Chengda Chemical Engineering", the "Coal Mining Designing Company" and the "Aviation Planning Company" signed new designing contracts with foreign countries in 1993. Their total contracts valued at \$47.87 million in 1993.

China's cooperation with foreign countries in the field of labor service not only helps strengthen its friendship with the people in other countries and develop economic and trading relations with other nations, but also creates

new opportunities for employment, introduce into China the mechanism for competition, promotes foreign trade, earns more foreign exchange by exporting equipment and materials, and helps the development of other related trades such as the civil aviation, banking, insurance, transportation, communications, posts and telecommunications. Between the beginning of 1979 and the end of 1992, China's contracts to provide labor service abroad had helped exporting equipment made in China and materials with a total value of \$1.3 billion. In addition, the state had authorized, in the past two years, a total of 70 international labor service contracting companies to import some commercial products. The total value of the exported goods of these companies also exceeded \$1.4 billion. These companies have attained gratifying results in taking the path of "promoting diversified operations while giving priority to their main line of business."

## AGRICULTURE

### Heilongjiang Increases Beet Procurement Price

94CE0521D Harbin HEILONGJIANG RIBAO  
in Chinese 4 May 94 p 2

[Summary] Heilongjiang Province has increased the procurement price of beets from 155 yuan per ton to 180 yuan per ton.

### Heilongjiang Grain Production Costs Increase

94CE0521C Harbin HEILONGJIANG JINGJI BAO  
in Chinese 26 Apr 94 p 1

[Summary] According to a survey on grain production costs in 1993 of 448 farming households in Heilongjiang Province, production costs of major grain crops (rice, wheat, corn, and soybeans) were 92.35 yuan per mu, an increase of 5.26 yuan, or 5.6 percent over 1992. The cost per mu of wheat was 143.2 yuan, a 10.2 percent increase; the cost per mu of wheat was 70.69 yuan, a 3.5 percent increase; the cost per mu of corn was 88.19 yuan, a 0.5 percent increase; and the cost per mu of soybean was 67.33 yuan, an 8 percent increase.

### Liaoning Livestock Industry Develops in 1st Quarter

94CE0521B Shenyang LIAONING JINGJI RIBAO  
in Chinese 23 Apr 94 p 1

[Summary] In the first quarter of 1994, Liaoning Province removed 3,717,000 hogs from stock, an increase of 492,000 hogs, or 15.3 percent over 1993; 195,000 cattle were removed from stock, an increase of 90,000, or 85.7 percent; and 270,000 sheep were removed from stock, an increase of 88,000, or 48.4 percent.

Pork output was 356,000 tons, an increase of 41,000 tons, or 13.2 percent over the same period in 1993. Beef output was 35,000 tons, an increase of 18,000 tons, or 6.2 percent. Lamb output was 3,000 tons, an increase of 36.2 percent over the same period in 1993. Poultry output was 49,000 tons, an increase of 13,000 tons, or 36.6 percent. At the end of the first quarter, there were 11,332,000 hogs in stock, a 7.7 percent increase over the same period in 1993, and sows totaled 812,000, a 9.7 percent increase. The number of sheep in stock reached 2,920,000, a 14.1 percent increase.

The number of dairy cows continues to decrease. In the first quarter, milk output was 33,000 tons, a decline of 2,000 tons, or 6.8 percent from the same period in 1993.

### Liaoning Corn Area

94CE0521A Shenyang LIAONING JINGJI RIBAO  
in Chinese 28 Apr 94 p 1

[Summary] As of 18 April, the corn area in Liaoning Province was 7,490,000 mu.

### Liaoning Cotton Area Declines

94CE0397Z Shenyang LIAONING JINGJI RIBAO  
in Chinese 28 Apr 94 p 3

[Summary] The planned cotton area in Liaoning Province this year is 1 million mu, as of the middle of March only 800,000 mu had been planted. Farmers do not want to plant cotton because profits from grain and cash crops are higher. Cotton degeneration is severe, thus it is difficult to raise quality and output. There is a shortage of funds to support cotton planting, which affects farmer enthusiasm to plant cotton.



### Article Views Law Enforcement Organs Abuse of Position

94CM0296A Shanghai FAXUE in Chinese  
No 148 10 Mar 94 pp 15-17

[Article by Zhang Jianwei (1728 0256 0251): "Law Enforcement Organs Abuse Office for Profits"]

[Excerpts] [passage omitted] After lying dormant during the drive to improve the economic climate and rectify the economic order, the economy rebounded before long and bold reform slogans replaced the debate over whether one should call something "socialist" or "capitalist." Unfortunately a number of law enforcement organs, responding to the slogan of "overhauling our thinking, changing our ideas, and serving economic construction" but misinterpreting the policy, behave in a way that departs from the law in doing their job, as epitomized currently by their abuse of power to profit themselves illegally.

First of all, they confiscate, collect fees, and impose fines arbitrarily. Taking advantage of their power to manage traffic, public security organs set up checkpoints, stop traffic, impose fines, and confiscate as they please. As managers of the permanent residency registration system, they arbitrarily demand payments, all clearly marked on a price list, from peasants who want to switch from agriculture to a non-agricultural sector and from people who want to transfer their residency registration from one locality to another. As keepers of law and order, they arbitrarily confiscate and impose fines higher than the maximum amounts allowed under the regulations. As investigators of crime, they arbitrarily collect fees and impose fines, masquerading them as "deposits," and replace prison sentences with fines or confiscation, even demanding a "case-solving" fee from the victim or defendant. As managers of prisons and detention centers, they demand from suspects and defendants in custody as well as convicted criminals money to cover meals and collect from them a "management fee." Relatives of convicted criminals who come to visit are told to pay a "visitation management fee." Abusing their power to investigate some cases, to approve and rule on arrests, and to file charges, procuratorial organs substitute a fine for a prison sentence and collect "deposits," "exemption from lawsuit fees," "exemption from lawsuit study fees," and "exemption from lawsuit bang jiao fees" arbitrarily. Taking advantage of their judicial power, judicial organs collect "sentence suspension fees," "sentence suspension study fees," and "sentence suspension bang jiao fees" arbitrarily. Judicial administrative organs in prisons and reform-through-labor facilities even go so far as to allow criminals in custody who have already been sentenced to go out to engage in commercial activities and take a cut of the latter's profits.

Second, acting ultra vires or sidestepping the law, some law enforcement organs meddle in economic disputes by collecting fees or demanding debt repayment on behalf

of an enterprise. In the name of "serving economic construction," "protecting an enterprise," and bolder searching for a new way to serve economic construction, public security organs and procuratorial organs marshal the human and material resources of their own units to help enterprises with their debt or payment collection efforts in return for some form of compensation known variously as "service fee," "labor fee," "sponsorship fee," and "deduction." Deviating from the judicial principle of not accepting or hearing a case unless charges have been filed, judicial organs collect bad debts on behalf of enterprises through extra-judicial channels. All these activities differ from recovering stolen goods for the victim in a criminal case. They also differ from ruling in or adjudicating civil cases and economic cases in accordance with mandatory civil rules or enforcing mediation agreements.

Third, they engage in all manner of revenue-generating activities. Abusing their power, for instance, law enforcement organs collect fees, levy taxes, and impose fines on behalf of other departments in return for appropriate compensation. A few law enforcement organs even use police cars as taxis to make a profit.

These days a widely held view among law enforcement workers in the field is that since law-enforcement organs are seriously under-funded when it comes to processing cases, the practices of fining a criminal instead of imposing a prison term and demanding sums from defendants and victims can only strengthen those organs economically and therefore make them better able to handle cases. Fining a defendant, it is also argued, serves the purpose of punishing him. Regarding the practice of collecting debts on behalf of an enterprise, some law-enforcement personnel claim that as a method of solving an economic dispute, the civil lawsuit takes too long. Even if a person wins a case, the verdict is often difficult to enforce. Enterprises turn to law-enforcement organs for help, it is said, because they are leery of getting trapped in litigation. When a law enforcement organ, overstepping its authority or sidestepping the law, succeeds in collecting a debt promptly, it provides production with a powerful safeguard. On the one hand, it wins praise for "protecting an enterprise." On the other hand, it obtains a tangible benefit that would enable it to add new equipment or modernize existing equipment and improve its financial position. It is a case of killing two birds with one stone. What is wrong with that, they ask?

To my mind, the above argument is long on trivia but short on major principles. To argue thus is to see the part while overlooking the whole. These people are only concerned about the preservation and aggrandizement of departmental interests while ignoring the preservation of the general interest. Work guided by such thinking will inevitably damage the reputation of state organs and encourage the spread of corruption.

First of all, law enforcement organs which abused their office to profit themselves illegally constituted a blot on China's political history.

There were two major chronic ills in China's political history. One was autocratic politics, which had its origins in the Qin Dynasty. Calling himself the First Emperor, its founder thought he embodied the moral virtues of the Three Emperors and considered his achievements greater than those of the Five Emperors. He unified the whole country and made China his personal possession. Although the dynasty he founded did not pass from one generation to the next endlessly, contrary to what he had hoped, the autocratic system he put in place lasted with no interruption to become a terminal disease in our feudal history. The other was bureaucratic politics. It too had an impressive list of symptoms. Economically, bureaucratic politics manifested itself as abusing one's power to profit oneself. One way to do this was to create a state-run economy. Another was to extort excessive taxes and levies by virtue of one's power. [passage omitted]

Third, when law enforcement organs abuse their authority to enrich themselves illegally, they in effect connive at criminal conduct and hurt legal construction.

Lax law enforcement is an outstanding problem these days. One of its causes is the phenomenon of law enforcement organs making money illegally. Consider :

- 1) Public security organs demand a "case solving fee" from victims. Only after they are paid would they agree to return the stolen goods or economic damages. Since victims are made to suffer two times over, they often balk at reporting a crime. The result is a serious crime under-reporting problem.
- 2) The practice of demanding a fine instead of imposing a prison term has given rise to a de facto system of bribing one's way out of jail. In handling some cases, law enforcement organs take the mediation route. After paying the victim a specified sum, they make him drop the charges regardless of the interest of the state in prosecuting the case. The upshot is a new way of handling cases in which a criminal who pays a fine will not be physically punished or can buy his way out of prison. Criminals get off easily.
- 3) In collecting debts, law enforcement organs content themselves with the recovery of properties. Even when they discover criminal activities, they ask no questions, let alone handing over the case promptly to the agency with the proper jurisdiction so that the

latter can investigate it in accordance with the law. Consequently, criminals escape scot-free and remain beyond the reach of the law. This deals a heavy blow to the authority and dignity of the law, in addition to preventing the elimination of adverse factors in the economic climate, which in turn militates against healthy economic development.

- 4) When a law enforcement organ devotes a substantial portion of its human and material resources to collecting debts and other sums, normal case-solving is affected, resulting in half-hearted law enforcement. Without exception all these circumstances are a byproduct of law enforcement organs trying to line their pockets illegally. At a time when the market economy needs the protection of the law, they disrupt the legal system and undermine the concept of the rule of law. The danger is obvious.

Fourth, it is corruption itself for law enforcement organs to profit themselves illegally by abusing their power. In so doing they seriously damage the image of law enforcement organs in the public eye.

When law enforcement organs abuse their office and collect fines and fees arbitrarily under all sorts of pretexts, they are behaving in a way that runs counter to the honesty and incorruptibility long advocated by our party. This situation has aroused the concern of people of insight as well as the anger of the masses and severely damaged the image of law enforcement organs in the public mind. When law enforcement organs demand case-solving fees from victims or meddle in economic affairs with hopes of taking a cut, when they help enterprises or individuals collect unpaid debts, they are in effect behaving like for-hire social service organizations such as private-investigation companies or debt-collection outfits, projecting an image far from appropriate for law enforcement organs. Once state organs preoccupy themselves with money-making, they lose the incorruptibility indispensable to operating impartially. Practice also proves that the inevitable result of such conduct is more and more people bending the law for personal gains.

In collecting unpaid debts, moreover, some law enforcement organs misuse their coercive state power to, for instance, take a person into custody. This practice seriously tarnishes the reputation of state organs. [passage omitted]



## NORTHWEST REGION

### Article Urges Efforts To Combat Crime, Protect Public

94CM0252C Urumqi XINJIANG RIBAO in Chinese  
21 Feb 94 p 1

[Article by reporter Lu Chunping (4151 2504 1627): "Urumqi's Courts Bring Their Judicial Function To Full Play: Attack Crime, Protect Public, Safeguard Stability"]

[Text] Urumqi's courts at both levels gave full play to their judicial function to preserve social stability and protect the people's and the legal persons' legal rights. Last year, they tried and concluded 19,074 assorted court cases, 16.43 percent more than in the previous year.

Urumqi's courts at both levels tried and sentenced 1,499 criminal elements who had committed murder, rape, hooliganism and robbery, or deliberate assault and other serious crimes. They also held prompt and open public trials, proving that they were serious about their assault on crime. They also launched a series of special crackdowns and tried and wrapped up 578 crime cases involving theft, drug trafficking, and trademark counterfeiting.

As the case load increased and difficult cases multiplied, the entire judicial and cadre and police contingent dealing with civil cases further speeded up the handling of real estate, debt, and labor dispute cases, properly dealt with marriage and family and inheritance cases, and promptly resolved disputes and settled conflicts to further promote stability, unity, and the socialist spiritual civilization.

### Officials View Campaign Against Government Corruption

94CM0252D Urumqi XINJIANG RIBAO in Chinese  
3 Mar 94 p 2

[Article by Liu Ruping (0491 2485 1627): "The Storm To Clean Up Government Will Not Blow Over Soon"]

[Text] The storm to clean up the government has been sweeping the nation since August 1993. From the perspective of the People's Congress deputies and the Political Consultative Conference members who are taking an active part or a consultative role in government, what picture does this storm paint?

No doubt, in this storm the anti-corruption campaign has produced outstanding results. Based on detailed data provided by Mijiti Kuerban, People's Congress deputy and Xinjiang's chief procurator, show that in 1993, the region handled 2,161 corruption and bribery and other economic crime cases; 933 cases were filed and investigated and 621 cases were tried and closed. The largest corruption case involved 1.89 million yuan and the largest bribery case involved 215,000 yuan. Thirty county- and section-level cadres were tried as criminals.

This storm has shaken up the land north and south of Tianshan. In the meetings of the People's Congress and the Political Consultative Conference, anti-corruption and advocacy of honest government is still a hot topic. At those meetings, we hear a lot of "jingles." What these jingles describe are not accurate summations; in many ways they may even be biased. But they nevertheless express what the people have in mind. They prove that corruption has not been swept away by the storm; the "hotbeds" that breed corruption have not been thoroughly sterilized; party-mass relations and cadre-mass relations need to be further reinforced and strengthened. We must not over-estimate the initial success of the anti-corruption campaign, nor should we under-estimate the dangers of corruption.

According to People's Congress Deputy Matao Haiguo, most prefectures and counties in the autonomous region are in financial red ink and are unable to come up with the money to fund education and health care and other undertakings, but they have the money to buy expensive cars and build fancy public buildings; some towns and townships are copying them. Some township government officials do not want 212 jeeps; they prefer luxury cars which do not even run well on bumpy country roads. They just want to show off.

People's Congress Deputy Muheiti Manlike said frankly that today, leading cadres get new cars more often, and they get more expensive cars every year; they move every time a new house is built, but meanwhile some enterprises can't even pay wages, and the masses are very upset. The cadres' work-style must change radically; otherwise the gulf between the leadership and the masses will only widen.

Rampant unhealthy tendencies make it difficult for honesty to plant a foothold. Without righteousness and honesty, corruption will inevitably run amuck. This is the philosophy lesson society has taught us as it develops.

Abusing power for private gains, using money to buy power and using power to make money, money-worshipping, and hedonism are like "smelly tofu"—they smell bad to others but taste good to those who are enjoying them, and that is why these phenomena are hanging around like ghostly spirits. After this big anti-corruption storm, members of the People's Congress and the Political Consultative Conference will pay even more attention to creating an honest government.

### What is the crux of the problem?

Jiusan Society's Xinjiang Autonomous Regional Party Committee spoke up before the Political Consultative Conference that the key to whether we can staunchly continue the anti-corruption and honest government campaign will depend on the Communist Party which is the ruling party. If the party members can discipline

themselves and stay clean and honest, then the party's work style will be upright, and the anti-corruption and clean government campaign within the party will be a victory, and there will be hope for the nation's anti-corruption struggle. Jiusan Society's Xinjiang Party Committee even came up with three 14-article suggestions on fighting corruption.

The deputies and conference members also reached the consensus that in attacking corruption and building an honest government, it is important to cure the symptom and the causes at the same time. We must link attacking crime, punishing corruption, and constructing a hard-working and clean government together.

"It is not enough to rely on education alone to ensure honesty in government. We must have a healthy system of rules and regulations and legal measures to constrain and regulate behavior," said An Qingming [1344 1987 2494], People's Congress deputy.

Members of the Political Consultative Conference advised that we must do something so that, one, the masses of public employees do not want to be corrupt (we can provide proper spiritual and material civilizations conditions); two, they must not be corrupt (we must amplify the legal system and supervision); three, they dare not be corrupt (we must impose harsh punishment and publicly expose them.)

The People's Congress and the Political Consultative Conference meetings happen to coincide with Secretary General Jiang Zemin's important speech against corruption before the Third Plenary Session of the Party Central Committee's Central Advisory Commission. The deputies and the committee members are greatly encouraged, but at the same time, they also realize that anti-corruption is not a war that can be won in a single battle; rather, we must take one step at a time and do a thorough job and push forward in stages. But no matter what, the anti-corruption and honest government campaign will not be a perfunctory gesture, as feared by some deputies and committee members. This storm will not blow over soon.

#### **Stability: Prerequisite for Economic Development**

94CM0252B Urumqi XINJIANG RIBAO in Chinese  
1 Mar 94 p 1

[Article by reporter Wu Yadong (0702 0068 2639): "South Xinjiang Regional Deputies Agree: Stability Is the Prerequisite for Economic Development"]

[Text] In the last few days, minority nationality People's Congress deputies from the four south Xinjiang prefectures and autonomous prefectures have been engaging in a heated debate on stability and on promoting development. The deputies believe that if Xinjiang is to have a stable social-political environment, we must first stabilize and increase input in south Xinjiang.

Deputy Julaiti Maimaitiming said, Hotan Prefecture is an exceptionally poor prefecture; the national separatist elements' subversive activities are a problem. Relying on our own hard work and struggle alone—without the state and the autonomous region's special political and financial support—it will be impossible for the prefecture to accelerate development or to become relatively well-off at the same time as the rest of Xinjiang. Deputy Yibulayinmu Sulaiman said, agricultural input in south Xinjiang should be greatly increased, because south Xinjiang's development is dependent primarily on agriculture, and if this problem is not properly resolved, we can't even begin to talk about becoming well-off, and it will adversely affect stability. He also said that if south Xinjiang wants to keep its talented people, the government must formulate special policies to keep those people and create an environment that respects knowledge and talents. Delegate Hadir Kayitoufu said, some of south Xinjiang's prefectures, autonomous prefectures, and counties are economically backward; the peasants carry a heavy burden and cannot afford to send their children to school. He suggested that while the government vigorously develop the economy, it should reduce the minority nationality students' school expenses in some regions to support educational development. He also said that we should continue to vigorously implement the "Law on Regional Autonomy of Minority Nationalities" and assign minority nationality and Chinese students on an equal basis, because it will help promote stability.

Deputy Zhu Ruoqing [8540 5387 7234] said, stability is the prerequisite for reform and development. Without a stable political environment and without unity among the nationalities, there will be no economic development and prosperity for south Xinjiang. Deputy Maimaitiming Tuoheti said, it is imperative that we truly understand that the threat to Xinjiang comes mainly from national separatism and that we must crack down on the separatist conspiracies within the region and strengthen the political and legal contingents. Delegate Qi Baowen [7871 0202 2429], who represent the military police, said that they shoulder the important responsibility of protecting the fatherland's unity, opposing national separatism, and preserving social stability. He said that the unity between the Army and the people must be strengthened, that we need to acquire a stronger sense of national defense, and we must resolutely and steadfastly struggle against a handful of minority nationality separatists and other hostile forces and make a positive contribution toward protecting social stability and promoting economic development.

#### **Regional Leaders Help Resolve Paved Road Shortage**

94CM0250C Urumqi XINJIANG RIBAO in Chinese  
3 Mar 94 p 2

[Text] Abulaidi Amudurexiti and Amudun Niyaz, Xinjiang Autonomous Region leaders, give high regards to a letter sent by peasants from the village of Bohetaikeli in Shufu county to resolve the matter of a lack of rural peasant funds to repair rural roads during this people's congress session.

The village of Bohetaikeli in Shufu county has been known far and wide since 1952 when Chairman Mao responded to a letter from its peasants. In January 1994 General Secretary Jiang Zemin wrote another letter in reply to the peasants there. Abulaidi Amudurexiti and Amudun Niyaz made a special trip to the village to read out General Secretary Zemin's response, making the village a focal hot spot. In recent years, endless streams of people have gone there to visit, travel, or do business. To accelerate the economic growth of the entire village, in 1993 the peasants there collected funds to repair a rural road which requires a total of 680,000 yuan. Beyond the 400,000 yuan which the peasants collected, another 280,000 yuan is needed. During this people's congress, Abulaidi Amudurexiti will take the village peasants' reply letter to the communications office of the autonomous region for the chairman. After the leadership of the office studies it and comes to a decision, it will disburse to the village 280,000 yuan to help the peasants repair the road as soon as possible.

#### Article on Taking Charge of Public Security

94CM0250A Urumqi XINJIANG RIBAO in Chinese  
2 Mar 94 p 2

[Text] "The time has come to take overall charge of public security. The matter must be put on the agenda and energetically handled." This was a forceful call to the people's representatives attending the second plenary session of the eighth autonomous region people's congress.

In 15 years of reform and an open door policy, the issue of public security is increasingly prominent. Our region has gone from being closed to open. The economy has developed considerably. At the same time, some bad things have taken the opportunity to come in. Moreover, in recent years personnel from elsewhere have flooded into our region. In 1993 throughout the region there were more than 11,000 crimes tried, a relatively great increase over 1992. In Urumqi criminal activity was even more serious; the number of criminal cases tried was up 27 percent. Representative Xie Jianxun [6200 1696 8113] said that when society was closed we used static public security. Now that people, money and things are in great circulation, we use dynamic public security. Now, motives for committing crimes are complex: blind pandering, seeking high levels of enjoyment, undisclosed remuneration of profit distribution to heads of enterprises, etc.; leading to cases of graft, robbery, explosives, and beatings. In mentioning criminal cases, circulating people must be mentioned. They account for more than 30 percent of the crime rate in Urumqi and 70 percent of those harmed are personnel in circulation at the southern railway station. Representatives He Bingxian [0149 4426 6343] and Zhang Xuewen [1728 1331 2429] are deeply empathetic. Many thefts and robberies are committed by personnel circulating independently. Before the spring festival in particular, they steal chickens and seize dogs everywhere, stealing whatever they can, robbing whatever comes along, "bagging things to take home and pass the new year."

It is noteworthy that the age of criminal elements is ever younger now. Youths account for 80 percent of crime. Many representatives believe that this is related to our greater social environment. In schools there is little moral training but lopsided seeking of high grades and advancing grades. Some periodicals, movies, and television propagate violence and sex. These factors enticing many young people to take the path of crime cannot be overlooked.

Representative Xie Jianxun said that ineffective attacks on criminal elements and low solved case rates are current problems we cannot dodge. Yet the serious difficulties of weak police forces, lack of funds and backward equipment affect the speed and quality with which law enforcement departments try cases. Our entire bureau has a total of more than 3,500 people. Overall quality is insufficiently high. Only one-third of the personnel has undergone systematic training. Communications equipment is far from up to date. In one instance our cadres and police caught a fleeing criminal. The jeep had only gone several hundred meters when it died and they watched the criminal run away. It now costs more than 10,000 yuan to catch a criminal but our annual costs only pay wages to support common office work.

Law enforcement sectors' prime job is to face the flash-point issues in public security, adopt effective measures and curb rising crime. Representative Chen Jinchi [7115 6855 3069] believes public security organizations must further implement a "serious attack" policy: quickly and doubly attack various criminal elements. Enhance overall control of public security, issue control measures with all social forces, augment watchguard work, establish various watchguard measures and systems suited to developing a socialist market economy. Additionally, we must enhance public security work, improve the quality of cadres and police, perfect grass roots security and control systems and street offices, allowing grassroots organizations to play fully the important role of maintaining public security. He also called on society to show more concern and support for the work of public security troops.

#### Xinjiang Autonomous Regional Chairmen Biographies

94CM0252A Urumqi XINJIANG RIBAO in Chinese  
3 Mar 94 p 2

[Article: "The Newly Elected Xinjiang Regional Chairman and Vice Chairman"]

#### [Text] Abulaiti Abudurexiti's Short Bio

Abulaiti Abudurexiti, male. He is of Uygur nationality and was born in March 1942; a native of Xinjiang's Yining. He began party work in September 1965 and joined the party in July 1960. He is college-educated and has attained senior engineer rank.

Over the years, he has been the autonomous region's Construction Prospecting Design Institute technician, professional group leader, engineer, and vice president. He has also served as Xinjiang's Planning Commission



vice chairman, party organization member, and party organization secretary; Xinjiang regional vice chairman, acting chairman, and the autonomous regional party committee deputy secretary.

**Yusufu Aisha's Short Bio**

Yusufu Aisha, male. He is of Uygur nationality and was born in July 1939; a native of Xinjiang's Shanshan. He began party work in October 1955 and joined the party in December 1958. He is college-educated.

Over the years, he has been Shanshan County's Cotton, Cotton Yarn, and Cloth Company's security administrator, Shanshan County's Lianmuqin Commune CLY Committee secretary and propaganda administrator; Shanshan County party committee organizational

department administrator, county public security department's party organization secretary and deputy department head; county foreign trade department's reform commission chairman and party organization secretary; Shanshan County party committee deputy secretary, county reform commission chairman, and county party committee secretary; Turpan prefectural party committee deputy secretary and Shanshan County party committee secretary, Turpan administrative department's special officer, Turpan prefectural party committee secretary; Urumqi City's deputy mayor, acting mayor, mayor, and city party committee deputy secretary.

He was a deputy in the Seventh National People's Congress.

**Editorial on Unification-Independence Issue***94CM0303A Taipei TZULI WANPAO in Chinese  
18 Apr 94 p 3*

[Editorial: "More and More People Want Independence"]

[Text] A Gallup poll on the question of independence for Taiwan, published yesterday, revealed that after the "Ch'ien-tao-hu Incident," 27 percent of all ROC residents favor independence for Taiwan. This indicates that the people's inclination toward an independent Taiwan has been growing year by year, while the proportion of those opposed to independence, for the first time, fell below the 50 percent mark to 45.5 percent. Analyzed by backgrounds, the poll shows that support for independence is extremely strong in the southern part of Taiwan, namely 36.7 percent, while those opposing independence are in an inferior position of only 36.4 percent. This was the first time in public opinion polls on Taiwan that supporters of Taiwan independence outscored those in opposition to independence.

The results of this public opinion poll possibly show the direction of present public opinion on Taiwan. However, since 25.4 percent of the population indicated that they would not say, had no opinion, or did not know; and because public opinion polls are inherently hardly ever 100 percent indicative of the true opinions of people when questioned on such a subject as the independence of Taiwan, there may be a margin of error. We may therefore only say that there is a trend of increasing support for Taiwan independence, and that this value—the hopes of the population of Taiwan to become an independent sovereign state—is increasing year by year.

The people questioned in the said poll of course were also influenced by the "Ch'ien-tao-hu Incident" and by the dictatorial way the Chinese Communist authorities handled the case. However, a more weighty factor must be attributed to the fact that people on Taiwan, after the lifting of martial law, have pondered the gains in the unification-independence argument in view of the international standing of Taiwan and the future prospects of the country. It all boils down to three big factors here: The diplomatic predicament Taiwan finds itself in has the people most fervently wish that the status of the country be made evident as such in the international community. The way relations between the two sides of the strait have developed, the people of Taiwan recognize more accurately the disparity in their political-economic systems and in social and cultural respects, and wishes for reunification of China have dampened. Finally, it is also most important to note the progress in democratization and pluralism on Taiwan which has greatly raised their consciousness of self-rule, as manifested in that their ideas on state and nation tend of course toward becoming a dignified and respected state and nation by themselves, which, in turn, engenders the idea of being one life community by themselves.

We are not surprised by the growing tendency for independence among the Taiwanese population, as revealed

in the Gallup poll; it is a natural result of the democratization of the country. However, this kind of a public opinion trend deserves to be faced squarely by all political parties and political regimes. It is precisely as President Lee Teng-hui once emphasized: The sovereignty of a country rests with its people, and the position and development of the state must also be adjusted according to the direction of public opinion. The most important factor that will have an impact on Taiwan's future will, we are afraid, not be any one-way consideration of unification or independence, but rather, finally, the independent choice of the 11 million people. We hope the government and the public will combine all their common wisdom, will then gradually readjust the present state policy for unification, and will set their minds on a less disputed developmental road for the state.

**Editorial on U.S. Market Analysis for Local Products***94CE0496B Taipei CHING-CHI JIH-PAO in Chinese  
27 Apr 94 p 2*

[Editorial: "Are Taiwan Products Losing Out in the U.S. Market?"]

[Text] The Committee on Mainland Affairs recently published data which show that the share of Taiwan products in the U.S. market has successively declined over the last six years, from 5.62 to 4.35 percent, while the share of mainland products has steadily gone up, from 1.93 to 5.47 percent. The reporting member of the said committee sees this as the sign that Taiwan products are now in inferior position in the competitive battle for overseas markets between the industries on both sides of the Taiwan Strait. He attributes this situation to the fact that Taiwan merchants have shifted their production bases and have placed large investments on the mainland.

There is no doubt that the success of mainland products and failure of Taiwan products on the U.S. market is closely related to the fact that Taiwan merchants have placed investments on the mainland, but it is still open to argument whether this indicates that Taiwan products are "in inferior position" and are "successively declining." If we carefully examine the changes in the trade situation since 1986 as between Taiwan, the United States, and other East Asian countries, we may discover that while other countries and territories have greatly increased their exports to the United States and Taiwan's rate of export increases to the United States has slackened, the value of Taiwan's exports to the various countries of East Asia has greatly increased. For instance, Malaysia's exports to the United States increased from about \$2.3 billion in 1986 to \$5.8 billion in 1991, while Taiwan's exports to Malaysia also increased from 200 million to \$1.5 billion. Thailand's exports to the United States increased from about \$1.6 billion in 1986 to \$6.1 billion in 1991, however, Taiwan's exports to Thailand increased from \$300 million to \$1.4 billion. This indicates that as Taiwan merchants placed their investments in Malaysia, Thailand, and in

Mainland China, the effect was not at all that products formerly exported to the United States were merely diverted to exports to the said regions, but rather that these regions greatly increased purchases of Taiwan raw materials and machinery for use in their processing industries.

From the viewpoint of upgrading industry, this situation is normal and healthy. The said "upgrading of industry" consists in reducing the traditional production of labor-intensive products and shifting to the production of capital- and technology-intensive products. Those industries which Taiwan merchants moved to the mainland or Southeast Asia were mostly labor-intensive industries, which had been gradually losing their competitive strength on Taiwan. On the other hand, overseas industries initiated by Taiwan merchants were purchasing Taiwan products, which were mostly capital- and technology-intensive semifinished products and machinery. This conforms to the directional shift in the comparative advantage caused by the change of comparative prices of key elements of production, as it also conforms to Taiwan's objective of economic upgrading.

In actual fact, it is not only Taiwan that is undergoing this kind of a shift, but similar shifts are taking place in South Korea, which is at a similar stage of development as Taiwan, and then even in the more advanced country of Japan. Since 1986, South Korea's share in the U.S. market has declined, but at the same time South Korea's investments in Southeast Asia and South Korea's exports to Malaysia have increased from about \$200 million in 1986 to \$1.1 billion in 1991, and exports to Thailand during the same period from \$200 million to \$1.4 billion. Japan is at a much higher stage of development than Taiwan and South Korea, but Japan too is to a certain extent conducting similar operations; between 1986 and 1991 exports from Japan have increased: to Malaysia from 1.7 billion to \$7.6 billion, and to Thailand from \$2.0 billion to \$9.4 billion.

Japanese economists have come up with a "wild goose flight" theory of economic development [one goose

following the other] to describe this phenomenon. Whenever economic entities of East Asia, which are all at different stages of development, face other economies in the world which are in a simultaneous process of economic advance, the relative scarcity of key elements of production and the gradual transfer of comparative advantages, makes the situation, with its transfers each time from the first economic entity to the hands of the next contestant, appear like a relay race, and in this process investments and trade produce corresponding changes.

This does not, of course, signify that nothing is left in the hands of the economic entity that is in the relatively more advanced position, but it indicates that it will, in addition to increased investments and exports to the developmentally lower area, produce new products that conform to its particular comparative advantage. As far as Taiwan is concerned, its electronic communications industry is rapidly developing; its computer main frames and monitors have been at the top in world markets for several consecutive years. Exports of these two items have increased from \$2.3 billion in 1990 to \$4 billion last year, which gives a good picture of the situation.

Going abroad with their investments by Taiwan merchants has of course also its negative effects, and problems involved in investments on the mainland must be noted, must be taken into consideration, and must be studied. However, if one looks purely at the change of their shares in the U.S. market, and would conclude that Taiwan products are in an inferior position and that industrial upgrading has not been successful, it would unavoidably be too rough and careless a conclusion. The effect of the increase in value of the NT\$ [new Taiwan dollar] since 1986 and the effect of Taiwan merchants going abroad with their investments must be understood within the framework of the changes in relations between the economic entities through the entire East Asia region, and the true situation can only be understood when studying the development indicated by the "wild goose flight" theory. This alone will furnish the foundation for a rational and feasible policy.



### Democrats Scramble To Get on 'Last Train'

94CM0265A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 290, 1 Mar 94 pp 34-35

[Article by Ho Li (0149 4539): "Democrats Scrambling To Get on 'Last Train'"]

[Text] The big boss in the north has said time and again that Hong Kong's three-tier legislature will be reelected. There will be no "direct" transition, and no legislative member should expect to ride the "through train" [meaning that members of Hong Kong's last Legislative Council may become, upon confirmation by the Hong Kong Special Administrative Region Preparatory Committee, members of the first Legislative Council of the Hong Kong Special Administrative Region]. This is because the British Hong Kong authorities have submitted the so-called "three violations" political reform package [Chris Patten's plan in violation of the Sino-British Joint Declaration, the Hong Kong Basic Law, and the understandings reached between China and Britain] to the Legislative Council, and the Sino-British talks have broken down. Now, whatever political reform plan is adopted by the Legislative Council, a new kitchen will have to be set up in 1997, says the big boss.

The 1994/95 elections for the three-tier legislature are drawing near. Though this "last train," with a life of only two or three years, cannot carry the passengers to their destination, all political parties and organizations and all politicians, big and small, are scrambling to get on board. They include not only democrats and conservatives but also pro-China political organizations. This is not because they turn a deaf ear to the northern big boss' "stern" statement. Rather, the reason is that if you do not get on the train, the arena will be occupied by others in the next two to three years.

With the curtain to be raised soon for the election war, a must now in political circles is to deal with friends and foes with diplomacy. If some results can be produced eventually through negotiations, the outcome would be the confrontation of two big forces. The democrats would team up to encounter the "Unsacred Alliance" formed by the conservative and pro-China forces.

The hardliners among the democrats are most likely to be pushed down from the train in 1997. Their participation in political affairs is more or less out of a going-without-retreating mentality. This is especially true for their attitude toward the "last train" before 1997. You must first get on the train before you are pushed down from the train.

In the 1994/95 three-tier legislature election, all are ready to do their utmost no matter what plan the Legislative Council will adopt. Election of the local legislature—district boards—will be held in this September. Next year the Hong Kong-Kowloon and New Territories urban councils will be elected. This will be followed by the most influential event—the election of the Legislative Council. Election of the district boards

and urban councils are skirmishes for the Legislative Council election. In this year's district board election, there will be 360 seats to be filled. The "Democratic Alliance for the Betterment of Hong Kong," a pro-China political organization, has revealed that it will support 80 candidates to run for these seats. The "Liberal Party," which is regarded as a conservative party, has announced that it will have some 100 members to join the election war. As to the three democratic political organizations, it is estimated that the "United Democrats of Hong Kong" will have 100 candidates, the "Meeting Point" some 30 candidates, and the "Association for Democracy and People's Livelihood" about 40 to 50 candidates.

Whether the democrats can team up in the election depends on whether agreement can be reached through negotiations among the United Democrats of Hong Kong, the Meeting Point, and the Association for Democracy and People's Livelihood. In principle, the agreement will be that, in the same election district, the three organizations will make all-out efforts to support only one democratic candidate who is most likely to win the election. This will avert their contention in the same election district. Even if contention occurs in the same district, they hope to minimize it and behave as true gentlemen, if at all possible, so as to avoid hurting their amity.

As a matter of fact, the district boards have 360 seats, while the three democratic organizations have less than 200 candidates in total. Perhaps the democrats should pay more attention to studying the cause that has limited their development and resulted in their insufficient manpower. Meanwhile, because of the three organizations' overlapping areas of development, their candidates may conflict with one another in the same election district. In the past, these three organizations have all along tried to negotiate with one another. In the 1991 district board election, however, they did have some conflicts despite their negotiation efforts. In 1991, the United Democrats of Hong Kong supported 71 candidates to run for the district board seats, the Association of Democracy and People's Livelihood had 17 candidates, and the Meeting Point had 13. In that election, conflicts did occur between the Association of Democracy and People's Livelihood and the Meeting Point.

Nonetheless, whether the three democratic organizations can reach some agreement through negotiations cannot be judged merely by the existence or nonexistence of conflicts among them in the district board election. We must look into other factors.

A flagship among the democrats, the United Democrats of Hong Kong is the largest of the three democratic political organizations, presently taking up 13 seats in the Legislative Council (including as many as 11 of the 18 directly elected seats). It, therefore, has the posture of a "big party." In the eyes of the northern big boss, however, the United Democrats of Hong Kong is a thorn in his side and must be taken out. The United Democrats

of Hong Kong has expressed willingness to hold dialogues with the Chinese side, but the latter has viewed it as a "group not to maintain contacts with" and has consistently hurled accusations against it.

As for the Association of Democracy and People's Livelihood and the Meeting Point, the former was previously more enthusiastic about participation in political affairs than the latter. This is because at the inception the Meeting Point was mainly a political-critic group. Now, however, in the Legislative Council the Meeting Point holds four seats, while the Association of Democracy and People's Livelihood is merely a "one-person party." Toward these two political organizations, the Chinese side's attitude is different from that toward the United Democrats of Hong Kong. The Chinese side has said that dialogues can be held with them and, what is more, it will appoint their members as Hong Kong affairs advisors and district affairs advisors. Toward the Chinese side's gesture, the Meeting Point takes a relatively clear attitude. It agrees to have dialogues with the Chinese side, but upholds its own stand. With regard to the issue of Hong Kong's political reform, it supports democracy and takes Governor Chris Patten's package as the bottom line. On the other hand, the political stand of the Association of Democracy and People's Livelihood is comparatively "ambiguous."

The United Democrats of Hong Kong and the Meeting Point have shown a stronger desire to seek coordination among the democrats. The Meeting Point has said openly that it is willing to consult with the United Democrats of Hong Kong and the Association of Democracy and People's Livelihood so that they can coordinate with and support one another in this year's district board election. In contrast, as people within the political circles may recall, in the 1991 election, when the Association of Democracy and People's Livelihood and the Meeting Point both planned to nominate their candidates for the same election district, the former proposed two solutions: One, the opponent should make way. Two, the two organizations should merge into one.

In fact, teaming up among democrats should not be limited to coordination in the district board election. A higher goal should be the development of a broader united front consisting of the three organizations plus other democratic personages. This is particularly necessary in view of the Legislative Council election to be held next year. The Legislative Council has 60 seats, of which 20 will be directly elected (of the other seats, 30 will be elected by functional constituencies, and 10 by the Election Committee). This makes it all the more necessary for the democrats to coordinate their actions with respect to candidates for the various election districts. They should pool their efforts and support one another. However, teaming up may be just wishful thinking. Turning it into a reality will probably involve grave difficulties. One of the difficulties is the hard-to-resolve conflicts of interests among the democratic political organizations. Every political organization wants to expand their strength and influence. The most effective

way to do this is to gain more seats in the legislature, especially the Legislative Council. Since this concerns their interests, it would be hard to be "modest." In the past elections, though the three democratic organizations sought to coordinate their actions, none would make way for the others. Election is a seat-seizing game. As there are only a limited number of seats on the "last train," a scramble for seats will easily occur.

Further, attention should be paid to the splittism caused by the "China factor." The northern big boss has always wanted to suppress the United Democrats of Hong Kong by smearing that organization so hard as if it had contracted "political AIDS" and everyone should keep apart from it. Long ago Beijing began to behave as the ruler of Hong Kong. It seems that the United Democrats of Hong Kong can only have a gloomy political future. Under China's big-stick policy, the United Democrats of Hong Kong, though it may become a passenger on the "last train," is most likely to be pushed down. And, in all probability, other political organizations and politicians, big and small, will keep a "safe distance" from it and will have reservations about coordinating with it or allying with it to form a democratic united front, if they think of their "own prosperous future" or if they are frightened by the stick of the northern big boss. Now, the northern big boss is keeping a fierce watch on the democrats' efforts toward coordination. China's mouthpiece has already launched an offensive, asserting that the United Democrats of Hong Kong is "overbearing" and cannot coordinate with the other democrats. At the same time, the Chinese side has spread words to the effect that the newly appointed Hong Kong affairs advisors and district affairs advisors will include members of the Meeting Point and the Association of Democracy and People's Livelihood, but no consideration will be given to members of the United Democrats of Hong Kong. This is to display its traditional talisman—the carrot in addition to the stick.

#### **Program of Newly Founded 'Democratic Party'**

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[Article by correspondent Fan Chieh-hui (5400 0267 2264): "Li Chu-ming (2621 2691 6900) Discusses Writing the Political Program of the 'Democratic Party'—It Will Clarify Policy on China Questions"]

[Text] After the merger of the Hong Kong Alliance and Meeting Point into one new party, the "Democratic Party," there will be a change in policy, and the formerly vague China policy will be clarified and rendered specific. Li Chu-ming, chairman of Hong Kong Alliance, described it as an excellent change to accommodate the new developments in the overall situation. Writing the political program of the new party is an opportunity that will allow incorporating some of Meeting Point's ideas on China.

When the Hong Kong Alliance was founded in 1990, it resented being mixed up by outsiders with the "Chih Lian Hui," and it therefore described itself in contradistinction as a local political organization based on Hong Kong, closely interested in every policy of the Chinese Government that concerns Hong Kong, but "without any intention of involving itself in the politics of Chinese territory outside of Hong Kong." In observance of this principle, the Hong Kong Alliance has all along declined to involve itself in China's internal affairs, and it has, indeed for this reason, been criticized by outsiders that it lacked a China policy and lacked discernment in matters Chinese.

On the other hand, Meeting Point had decided already at the time of its founding in 1983 on a set of "New Three People's Principles," i.e. on a "return to democracy" standpoint. In its political program it clearly outlined as the role of the people of Hong Kong "to contribute to the development of China," and it supported in a variety of forms and through solid contacts the progressive forces inside and outside the system. As to its China policy, it emphasized in even stronger terms adoption of a "critical relationship."

In the 10 prominent paragraphs of the manifesto on the organization of the new party, there is one paragraph that asserts that the people of Hong Kong are a part of the Chinese people "with the right and responsibility to participate in and deliberate on national affairs." This reflects a quite different attitude on the China question than that of the Hong Kong Alliance.

Yesterday, Li Chu-ming expressed to this reporter that writing the political program of the new party will provide an opportunity to further elucidate and concretely stipulate the attitude toward China. He pointed out that the closer we get to 1979, the more reason there is for the people of Hong Kong to concern themselves with the affairs of China, and it is also clearly written in the constitution of the PRC that the Chinese people have the right and duty to do just that.

He said, in the past the attitude of the Hong Kong Alliance had been that the people of Hong Kong should not concern themselves with policies and measures that had only to do with China's internal affairs, and that they should not comment on such. However, from now on there will be a change in that they should make their position clear on particular events whenever necessary. He believes "it is a good thing to clarify policy 'toward China.'"

The two parties appointed 16 delegates to form a combined preparatory committee to implement the merger and may later set up another team with the particular responsibility to write the political program of the new party. Li Chu-ming indicated that the Hong Kong Alliance will of course incorporate some points of the Meeting Point's political program. He said: "Wherever the Hong Kong Alliance lacks competent people and specialized knowledge, things from Meeting Point will be taken over."

On the question of policy toward the Chinese Government, he declared: "We shall certainly approve of everything good, and everything that is not, we shall oppose." The Hong Kong Alliance has shifted from avoiding involvement in internal affairs to actively facing problems of that nature, and is displaying precisely the attitude of a "critical relationship" that Meeting Point had advocated all along. Meeting Point's political program contained its standpoint on six eminent problems in China-Hong Kong relations, namely: the state's nationality principle, consideration of legal principles, the 4 June incident, the role of the people of Hong Kong, participation in national affairs, and the "critical relationship." As far as the Hong Kong Alliance is concerned, it did not display concrete principles, but merely emphasized the principle of "promoting mutual relations between China and Hong Kong outside of the political area." What changes there will be in the political program of the new party will certainly deserve our close attention.



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